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# ***JPRS Report***

## **China**

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***QIUSHI [SEEKING TRUTH]***

No 12, 16 December 1988

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## QIUSHI [SEEKING TRUTH]

No 12, 16 December 1988

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QIUSHI

No 12, 16 December 1988

**The Problem of Keeping Party and Government Organs Honest and Clean**

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[Article by Xie Fei 6200 7236—excerpts of a speech by the author at a Guangdong provincial conference of party and government leading cadres at and above the departmental and bureau levels held in August 1988—passages within slantlines published in boldface]

[Text] The existence of corruption among party and government organs is not an isolated problem. It has been caused by subjective as well as objective factors. It is precisely because of the many factors and broad scope of the problem that we must adopt a series of pertinent measures and coordinate the efforts of all quarters to combat corruption. To be brief, it is necessary to conduct education, make reform, exercise supervision, and enforce law and discipline at the same time. In view of the present situation, we must exert efforts specifically in the following aspects:

**1. Party and government organs must foster a new work style of stressing honesty, service, and efficiency.** What kind of work style and mentality should party and government organs foster? In my opinion, "stressing honesty, service, and efficiency" should be the key words and the major criterion for building up and evaluating the work of party and government organs.

When we made revolution in the past, we shouted: "Down With Corrupt Officials." This slogan was very appealing because the masses hated the corrupt officials sitting on people's backs. Now that the Communist Party is the ruling party, the people's government represents the people's interests. Should our party and government organs go against the original intention of revolution, becoming corrupt and failing to keep themselves honest and clean, we will forfeit our prestige and appeal in the eyes of the people. Should their resentment accumulate, the contradiction will ultimately intensify. Whether or not party and government organs are honest and clean concerns their nature and has a vital bearing on social stability and the future of reform and construction. Therefore, party and government organs must, above all, stress honesty and keep themselves honest and clean. Party and government organs should also stress the spirit of dedication, serving the people at the grass roots to promote the reform and opening policy and the modernization drive. The spirit of service is the ideological foundation for keeping party and government organs honest and clean as well as the basic qualification of public servants. It is necessary to vigorously advocate the

spirit of service in party and government organs, regarding service for the people as the sacred duty and professional ethics required for Communist Party members and government functionaries.

In stressing efficiency, it is necessary to provide timely service and raise office efficiency. Low work efficiency in party and government organizations has posed a serious problem to reform and construction. Procrastination, excessive red tape, and low efficiency are among the factors that have prompted lower levels to give dinners and gifts to higher authorities. To improve office efficiency is a demand of reform and construction as well as a prerequisite for honest and clean party and government organizations.

In laying equal stress on honesty, service, and efficiency, we want to foster a new office work style based on honesty while putting higher demands on party and government organs. They should not only be honest and clean and abide by law and discipline (because the majority of them are able to comply with this demand) but should also dedicate themselves to serving the people and work efficiently.

**2. It is necessary to correctly handle the relationship between keeping party and government organs honest and clean on the one hand and making reform and invigorating the economy on the other.** At present, there are misgivings that stressing honesty will affect the invigoration of the economy, and that it will be impossible to accomplish anything under the situation of a developing commodity economy, especially to stress honesty in the face of unhealthy tendencies. If this problem remains unsolved, we will either fail to keep party and government organs honest and clean, or dare not invigorate the economy but just be able to keep them honest and clean.

First of all, we should not think the reform and open policy and invigoration of the economy conflict with our efforts to keep party and government organs honest and clean. Corruption has been caused, not by the reform and invigoration of the economy, but, on the contrary, by the failure to strengthen reform and the various loopholes in the absence of necessary rules and regulations during the transition from the old to the new system. All in all, reform is indispensable for invigorating the economy and ensuring honest and clean party and government organs, while honesty can create the favorable conditions for the smooth progress of reform. Extravagance, waste, and growing institutional purchases can intensify the contradiction between supply and demand in the market, and drive up prices. "Profiteering by bureaucrats" for selfish interests can aggravate spiraling price rises and directly impede the smooth progress of price reform. Corrupt party and government officials can certainly stir up resentment among the masses, who will then blame reform for the corruption, thus raising doubts and vacillating over our reform. If the masses distrust us because of corruption, how can we lead them in socialist construction and help the economy

prosper? When we straighten out these overall relations, we will be able to conscientiously and correctly handle the relationship between keeping party and government organs honest and clean on the one hand and making reform and invigorating the economy on the other.

Next, we must draw a line between honesty and dishonesty. Document No. 5 issued by the Central Committee this year clearly spelled out the requirements concerning honesty in party and government organs, and the demarcation lines in applying this policy for dealing with the problems of dishonesty. We should resolutely implement them. Some comrades have complained that it is extremely difficult to draw a line between honesty and dishonesty in matters of lavish dinners and presentation of gifts. How does one define lavish dinners? What is the criteria? How does one draw the line between the normal exchange of gifts and the delivery and acceptance of gifts? We have adopted a practical approach and spelled out the relevant limitations and criteria, and will improve on them further. The present problem is putting them into practice. We should be able to notice that corruption, bribery and extortion are problems involving only a small number of people. However, the problem of extravagance and waste is quite widespread. We must give this matter more attention, and have the determination to reverse this unhealthy tendency.

Third, we must have more confidence. The issue of confidence is linked to the overall atmosphere as well as the determination, methods, and demarcation lines for applying the policy to solve the problem. Confidence is built on the foundation of the scientific analysis of a problem. We admit that it is very difficult to talk about honesty under the present situation of an unhealthy social mood, but we have to note that reform is being intensified and that various laws are being established and perfected. Furthermore, party building has been strengthened, the people's knowledge is improving, and the majority of comrades are honest or basically honest. Only a handful of them are dishonest. If we improve our understanding by beginning with the leadership, with ourselves, and within our own unit, formulate a system, strictly enforce it, strengthen its supervision, and persist throughout, we will have full confidence to carry out our duty honestly and to build a clean system that capitalist countries cannot match.

**3. An important condition for maintaining honesty is to separate government from enterprises and official from commercial activities.** Currently, some of the problems of dishonesty stem from the lack of separation of government from enterprises and official from commercial activities. For instance, some party and government organs, together with their leaders, have used their authority to set up enterprises and compete with the people. Some of them have used certain materials under their control to engage in profiteering or to exchange for materials and commodities that are in short supply, reaping benefits during the process. Some of them have relied on these enterprises to distribute and dine at

random, take more than they are entitled to, and indulge in extravagance and waste. The lack of separation of government from enterprises and official from commercial activities has caused some units to forget their responsibility to serve the grass roots and their sectors, and instead to concentrate on making money for their own units, even to the extent of holding back, for their own use, resources, materials and allocations meant for subordinates. Some party and government cadres have committed errors in this respect. Therefore, we must separate government from enterprises and official from commercial activities in accordance with the relevant provisions of the central authorities. This is an important step for ensuring that organs remain honest. There is a situation where we must make a comprehensive analysis. Party and government organs should center on economic tasks. Most party and government cadres, especially party and government leadership at and below the city and county level, are involved in activities related to all sorts of economic tasks. For a long time to come, this situation will remain so. This has also become a new subject for maintaining honesty in party and government organs. I believe that all activities among enterprises should be left alone. Party and government leaders should provide only support and coordination. When it is necessary for party and government leaders to get directly involved, they should naturally do so. This will not be taken as a lack of separation between government and enterprises.

**4. It is necessary to further introduce a change of functions, to delegate power to lower levels, and to reduce red tape.** Overconcentration of power and excessive red tape can inevitably engender bureaucratism and provide opportunities for abusing power for personal gain. To further introduce a change of functions, delegate power to lower levels, and reduce red tape is a prerequisite for overcoming bureaucratism, improving efficiency, and firing the enthusiasm of all sectors, as well as a measure for controlling power abuse. At present, everything needs to go through all sorts of red tape, and be reported and approved at successive levels of higher authorities. It is necessary to point out that this bureaucratic attitude is precisely the breeding ground for corruption, and it must be wiped out. Therefore, to resolve the problem of overconcentration of power by delegating powers to lower levels and introducing a change of functions is another effective measure for preventing corruption and a major component of the ongoing political structural reform.

Why have we not delegated some of the powers that should be delegated to lower levels? An investigation of the reasons shows that on the one hand, we are far behind the system under which "the government regulates the market and the market guides enterprises," i.e., we have not yet set up a whole set of new economic managerial systems and methods; on the other hand, there is the factor of "interests." To delegate powers means to abandon interests or to give up the conditions for seeking interests. Wherever interests are concerned



there lies reluctance to part with them. Without delegating powers to lower levels, it is impossible to introduce a change of functions, and without changing the functions, it is impossible to delegate powers. These two aspects are closely linked. In order to resolve problems involving these aspects, it is necessary to strengthen the reform. Powers involving labor, financial, and material resources in control by provinces, cities, and counties should be redistributed in a more rational way, centralizing those that should be in their control while delegating those that should be delegated to lower levels, so that all levels can proceed from reality in doing a good job in their work. At the same time, it is also necessary to establish a personal job responsibility system through streamlining organizations and personnel and reducing red tape.

**5. It is necessary to reform the personnel system and appoint people impartially and honestly.** Corruption in appointing personnel is reflected mainly in bribery, favoritism, and nepotism in making transfers, giving promotions, and recruiting cadres, staff members, and workers. People must be appointed on merit, not by favoritism or nepotism. It is necessary to reform the personnel system and establish a new system of personnel management. Much remains to be done in this regard. In particular, the public servant system that we will soon establish is a major reform measure for ensuring honest and clean party and government organs. In order to clamp down on loopholes for evil practices in personnel management, it is necessary to increase the transparency in employment and provide an equal opportunity for talented people to grow to maturity. At present, it is necessary to universally establish and implement two systems: First, in recruiting new personnel, all units and offices should invite applications and hold open examinations for the job, select and appoint people on merit, and publish the results of the examination; second, promotion in all units and offices should be discussed and recommended by the masses and evaluated and approved by higher authorities. If these two systems are truthfully implemented by all party and government organs, their vitality will be greatly enhanced, and unhealthy practices in personnel management will decrease.

**6. It is necessary to strengthen the management over law enforcement and management departments.** The majority of comrades in the law enforcement, management, and public utilities departments work hard on the front line of close contacts with the masses. They have done a good job and played an active role in maintaining public order, supervising the market and the economy, and protecting the people's everyday life. If these departments, whose work is closely linked to the interests of the masses, handle things partially, resort to blackmail and extortion, fail to execute duties, and do things that they should not have done, the party and government's policies and decrees will not be carried out correctly, thus adversely affecting the reform and construction, undermining relations between the party and the masses, and corrupting general social conduct. In view of the large contingent of personnel and

broad scope of the work of these departments, we are liable to encounter problems should we fail to strengthen the management. We should regard these departments as a focal point in keeping party and government organs honest and clean and in establishing a new order of socialist commodity economy.

All departments in charge should establish a set of regulations and procedures for ensuring ethical integrity in consideration of their realities. I would like to propose six points: First, it is necessary to institute and improve work rules, regulations, and procedures for personnel to follow. At the same time, it is necessary to formulate relevant preventive measures. Second, it is necessary to strengthen the management and supervision of higher level departments over the next lower level departments. The supervisory system should be established at every level. In addition, supervisory, procuratorial, auditing, and discipline inspection departments should also exercise better supervision. Third, the work of law enforcement and management departments should be known to the masses and supervised by the masses. Fourth, the quality of personnel should be improved. At present, the personnel in these departments are large in number and new, and it is very necessary to improve their education and management. Fifth, it is necessary to solve the remuneration problem. For instance, 60 percent of the personnel in the industrial and commercial administration of this province are relying on themselves to feed themselves. We should think of a way to change such a situation in which personnel rely on themselves to feed themselves. Why don't we consider turning in the revenues of the industrial and commercial administration to the finance department and paying its personnel with funds from the finance department? This method will great help ensure ethical integrity. Sixth, it is necessary to support and protect the law enforcement and management personnel in exercising their legitimate powers, and to punish according to law those who violate law and resist or even beat up management personnel performing official duties. Of course, the law enforcement and management personnel, in performing their official duties, should adhere to principle, stress good methods and manners, and work in a civilized way.

**7. It is necessary to enhance the openness of work and strengthen democratic supervision.** Some departments lack due openness and necessary supervision in the course of work, and thus create the possibility for certain people to abuse power to seek private gains and compromise integrity. As this is caused by the existing system, we should concentrate our efforts on this respect in order to solve the integrity problem today.

First, it is necessary to enhance the openness of our work. All our party and government departments have some rules and regulations, but they are not made public. If personnel of those departments violate these rules and regulations, people have no place to go to complain and it is difficult for people to supervise them. In order to get

their business done, people have no other choice but to seek the help of influential friends or give dinner parties or gifts to grease the wheels. If such practices become commonplace, ethical integrity will be out of the question and the image of party and government organs will be hurt. We should solve this problem by making our work known to people. With the exception of a very few departments handling state secrets, our departments with the functional responsibility and powers to examine and approve various requests and applications should make their policies, regulations, work procedures, requirements, and document handling time known to the public, so that the comrades who come to do business make sure that their requests or applications meet all the requirements. In this way, the phenomenon of "passing the buck" will be reduced. At the same time, it should be stipulated that if a department rejects without any good reason a properly filed request or application, the person concerned may sue the department for neglect of duty at its higher level department. Whatever can be made public should be made public within certain limits according to the circumstances. This includes such things as the amount of taxes or fines, matters concerning bank loans, financial and material quotas, distribution quotas, and personnel hiring. Making the work procedures public will facilitate supervision by the public and by higher level organs, and will surely play a positive role in maintaining ethical integrity.

Second, it is necessary to provide the masses with the conditions for fair competition. For instance, when we are building a market with booths of different classes, how do we distribute the booths if there are many applicants? If we let a few people decide, the applicants are likely to try to establish a relationship with the decisionmakers, give them gifts, or use some influence. This is how corruption happens. If we publish the rent for the booths according to their classes, invite open bids, and let the winners of the bids have the booths, the bidders will have a fair chance and the aforesaid irregularities will not happen. If we seriously study the causes for corruption and unfairness in work and adopt reformative and open working procedures, we will be able to reduce irregularities in this respect.

Third, it is necessary to emphasize the role of supervision. In addition to conscientiously implementing the work rules and regulations, we should particularly emphasize the role of supervision. Without supervision, people will gradually overlook and disregard rules and regulations and defy prohibitions. Supervision can take many forms. For instance: 1) It can be self-supervision. All organizations and departments should conduct self-inspection after a period of time, sum up work experience and lessons regularly, and correct discipline violation behavior in a timely manner. 2) It can be supervision by a higher level organ over a lower level organ. A higher level organ should constantly inspect its subordinate departments with regard to their implementation of rules and regulations, and correct their discipline violation behavior if found. 3) It can be supervision by grass-roots units and the public. When the

grass-roots units and the masses want to report something, they may write, visit, or phone the higher level organs. With many channels for fast transmission, their reports can yield effects and play a supervisory role. 4) It can be supervision exercised by discipline inspection commissions or procuratorial, supervisory, or auditing departments. Various departments have various functions and powers, but they should cooperate with each other. The supervisory force in these departments should be constantly strengthened and improved. In order to meet the new circumstances, newly organized supervisory departments should particularly be manned by experienced and capable cadres who know relevant policies. 5) It can be supervision by the media. The supervisory role played by the news media is great and is becoming more and more important. From now on, we should give full play to supervision by the media. In addition to these forms of supervision, there are some other forms, such as higher level supervision by the people's congresses and by the CPPCC committees. With the constant changes in the situation, the contents and forms of supervision will also change and constantly become better and more adequate. Party and government leaders at all levels should first conscientiously accept others' supervision. At the same time, they should take a clear-cut stand to justly and forcefully support the supervision and adopt necessary measures to ensure it.

**8. It is necessary to improve remuneration and advocate diligence and thrift.** The living standards of party and government cadres have been greatly improved compared with the time before the 3d plenum of the 11th CPC Central Committee. This is a generally acknowledged fact. Generally speaking, however, their living standards are still quite low. Therefore, while we have a question of how to ensure ethical integrity among party and government cadres, we also have a question of how to improve their treatment. Speaking of the improvement of treatment, one thing is to raise their wages to meet the rising prices. At the moment, high pay is still out of the question. However, with the introduction of the public service system and the wage reform, most people's wages will be gradually raised according to their job performance. The other thing is to solve the housing problem for party and government cadres. If these two things are done, the cadres will serve the people wholeheartedly and with ease of mind, and will do their utmost for the reform and the four modernizations. These are the necessary material conditions for the cadres to maintain their ethical integrity. However, we still cannot rely on high pay to ensure integrity at present. Even as the cadres are enjoying better treatment, we still need to advocate the spirit of hard work and thrift and rely on the party spirit, moral values, and political awareness to ensure ethical integrity. We should stress lofty ideals, abiding by law and discipline, taking pride in dedicating ourselves to "revitalizing China and accomplishing the four modernizations," and keeping ourselves within the bounds of law and discipline. In short, party and government organs on the one hand should attach importance to improving the livelihood of the cadres and

workers, and on the other hand, should strengthen ideological and political work and improve the quality of the cadres and workers in order to ensure ethical integrity.

### The North China 3d Army During the Days of Decisive Battle

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[Article by Yang Chengwu 2799 2052 2976]

[Text]

#### I

On 3 August 1948, I accompanied Nie Rongzhen, commander of the North China Military Region, to Xibopo in Pingshan County, Hebei Province. Chairman Mao Zedong showed us a telegram in his quarters. The telegram, issued by the Central Military Commission on 22 July to Lin Biao, Luo Ronghuan, Liu Yalou, and the Northeast Bureau, ordered the Northeast Field Army to operate along the Beiping [Beijing]-Ningxia, Beiping-Chengde, and Beiping-Zhangjiakou lines in August. Then Chairman Mao showed us another telegram dated 30 July. In the telegram, the Central Military Commission instructed the Northeast Field Army to consider attacking Jinzhou and Tangshan first, wipe out all or a large part of the Fan Hanjie group, and then advance towards Chengde and Zhang Jiakou to engage Fu Zuoyi's troops. Chairman Mao explained very clearly the plan of the Central Military Commission. The plan called for waging strategic, decisive battles in north China, northeast China, and east China, using northeast China as a breakthrough point, striving to wipe out all the enemy troops in northeast China right there, and thus liberating the whole of northeast China. Chairman Mao said to me: If your 3d Army (commanding the 1st, 2d and 6th Columns, the Shanxi-Suiyuan 8th Column, two cavalry divisions in Inner Mongolia, and local units in western Shanxi) attacks Suiyuan (an old province abolished and incorporated into Inner Mongolia in 1954) which is Fu Zuoyi's home base, Fu Zuoyi will surely come to its rescue. You should not only occupy Suiyuan, but also manage it, and tie down Fu Zuoyi's main force along the Beiping-Suiyuan line to prevent it or a large part of it from moving south of the Great Wall, thus facilitating victories by the Northeast Field Army. Later, other leading comrades such as Zhou Enlai, Zhu De, Liu Shaoqi, and Ren Bishi also issued important instructions to us.

On 5 August, we returned to the headquarters of the North China Military Region and began preparations for the Suiyuan attack. At that time, the enemy had about 50,000 to 60,000 troops in Suiyuan, including one corps, three divisions, three cavalry brigades, and some security units. On 24 September, the 3d Army seized Fengzhen in eastern Suiyuan, and Longsheng Village to its northeast. On 25 September, it successively took Liangcheng and Lingeer to the southeast of Guisui (now renamed Hohhot City). On the 26th, it occupied Qingshuihe in

southern Suiyuan. Then it successively seized Wolongshan and Laohushan on the outskirts of Jining, totally wiped out an enemy cavalry brigade and a security regiment in Jining with a total strength of 5,000, and captured the brigade commander. It was a fairly big victory won by the 3d Army in Suiyuan. On 9 October, the 3d Army overran Xinghe County. On 16 October, it took Taolin County. By then it had liberated a vast area in southern and eastern Suiyuan, annihilated some 5,500 enemy troops, and gained control of the section of the Beiping-Suiyuan railroad from north of Fengzhen, through Jining and Zhuozishan, to east of Guisui.

At that time, the Northeast Field Army was planning the Jinzhou invasion. Because of the "trouble in the rear area," Fu Zuoyi hastily arrived in Suiyuan and rapidly moved a force of 10 divisions from Beiping and Zhangjiakou westward. Those were units under his direct command, including the 35th Corps, the 105th Corps and the New 4th Cavalry Division. Such news was gratifying, because the tying down of Fu Zuoyi's main force—the Sun Lanfeng group and the units under Dong Qiwu—by the North China 2d and 3d Armies could facilitate the Northeast Field Army in waging a triumphant strategic decisive battle. However, the pressure on the 3d Army increased. Since we were outnumbered by the enemy, the Military Commission instructed the 3d Army to move its main force eastward to attack enemy reinforcements first. We left the 18th Brigade under the 6th Column and local units in Shanxi and Suiyuan to cope with the enemy, and rapidly moved our main force to areas west and north of Fengzhen and east and south of Zhuozishan in eastern Suiyuan.

In order to lure the westward moving enemy reinforcements, the North China 2d Army advanced towards the Beiping-Chengde railroad and the eastern section of the Beiping-Suiyuan railroad, and constantly scored victories. To cope with the situation, Fu Zuoyi gathered his troops from both the east and the west in an attempt to restore the interrupted Beiping-Suiyuan railroad. He left only the Reorganized 10th Cavalry Brigade and the 5th and the 11th Brigades in the Jining area.

In order to make the enemy reinforcements move both eastward and westward, we left the Shanxi-Suiyuan 8th Column and the units under the Beiyue Military District (with Wang Ping as commander and Zhao Zhensheng as political commissar) in the area to provide cover, while moving our main force towards the area north of Daqingshan in western Suiyuan. From 16 to 23 October, the Shanxi-Suiyuan 8th Column liberated Taolin, Wulanhua and Wuchuan, the 1st Column liberated Taigemu and Bikeqi, and the 6th Column liberated Tuoketuo, Salaqi, Chasuqi, and Tao Siqi. The 2d Column, after seizing Baotou, pursued the enemy for some 100 kilometers and completely wiped out the 1st Regiment of the enemy's New 11th Brigade. By the end of October, the vast western and northern Suiyuan regions were liberated and enemy troops in Guisui were completely isolated.



## II

On 9 November, the eve of our planned general offensive on Guisui City, we received instructions from the Central Military Commission to postpone the attack, lift the siege on Guisui, and move to the Jining and Fengzhen area to await orders.

In order to mass the main force of the Northeast and North China Field Armies to wipe out enemy forces in the Beiping, Tianjin and Zhangjiakou area and prevent Chiang Kai-shek from organizing a defense south of the Chang Jiang, the party Central Committee and Chairman Mao ordered the 3d Army to thrust eastward and lay siege on Zhangjiakou, but not to take it right away, with the purpose of luring the enemy reinforcements and then joining the North China 2d Army and the Northeast Advance Army in cutting up the Beiping-Suiyuan railroad into several sections, dividing Fu Zuoyi's main force and encircling it along the Beiping-Suiyuan line.

Following the instructions of the Military Commission, the 1st, 2d, and 6th Columns, led by myself and Deputy Political Commissar Li Tianhuan, successively surrounded enemy troops at Zhangjiakou, Huanan, Chaigoubao, and Zhoujiahe. On 29 November, the Beiping-Tianjin campaign started. On the evening of 30 November, the 1st Column took Shalingzi and Huaian and cut off enemy communications between Zhangjiakou and Xuanhua; the 2d Column seized Chaigoubao; the 6th Column seized Wanquan and Guoleizhuang and wiped out some 2,000 enemies. The three columns thus encircled Zhangjiakou.

Such movements of the 3d Army indeed worried the enemy. As a result, the enemy massed an Army headquarters, six divisions of two corps, two cavalry brigades, and two security regiments in Zhangjiakou; two divisions and one security regiment in Xuanhua; and one cavalry brigade in Zhangbei. On 1 December, one regiment of the 3d Army seized Xinzhuang railroad station and cut off the railroad between Huayuan and Xuanhua. In this way, most of the units under Fu Zuoyi's direct command were tied down in the Zhangjiakou and Xuanhua areas by the three columns of the 3d Army. In the meantime, the units under our Hebei-Rehe-Chahar Military District successively took Shacheng and Tumu and destroyed the railroad between Huayuan and Huailai. Then Chairman Mao ordered the 2d Army to move rapidly from the Yixian and Tangshan area through Zijinguan and Zhuolu to Xuanhua and Xiahuayuan, and join the 3d Army in encircling Fu Zuoyi's main force and cutting off its communications between Beiping and Zhangjiakou. Chairman Mao also ordered the Advance Army (the Northeast 2d Army) of the Northeast Field Army to move rapidly from Jixian through Miyun to Nankou and Huailai in preparation for wiping out westward moving enemy reinforcements from Beiping.

On 1 December, several groups of enemy forces launched a large-scale counterattack on the 3d Army. In the east, the enemy attacked the positions of the 1st Column at Shalingzi. In the west, the enemy's 101st Division attacked the positions of the 6th Column at Wanquan. In the south, two enemy infantry divisions and one cavalry brigade advanced towards the Kongjiazhuang front held by our 2d Column in an attempt to break through our encirclement. On that day, fighting between the enemy and our forces was intense. Since the command post of the 3d Army was located at Zuowei to the southwest of Zhangjiakou and very near Kongjiazhuang, I could clearly hear small firearms shots there. When I arrived at the command post of the 2d Column, we had lost some positions on the 5th Brigade front. Toward sunset, Ma Long, commander of the 5th Brigade of the 2d Column, organized a counterattack and recovered the lost positions after fierce fighting. At night, the enemy still could not break out of the encirclement despite several thousand casualties.

At that time, Fu Zuoyi worried that the Northeast Field Army might take Beiping directly. He urgently ordered his 35th Corps to return to Beiping. The 35th Corps had repeatedly launched pincer attacks on Shalingzi from Zhangjiakou and Xuanhua, but the 1st Brigade of our 1st Column repelled all those attacks. On the morning of 6 December, the enemy's 35th Corps, with some 300 motor vehicles, moved eastward past Shalingzi, while our 1st Column was readjusting its troop disposition, but it was intercepted at Xinbaonan by the 12th Brigade of the 4th Column of our 2d Army.

To come to the aid of the 35th Corps, Fu Zuoyi ordered the 104th and 16th Corps to advanced westward. When the two corps arrived at Jiantang, 4 kilometers east of Xinbaonan, on 9 December, they were intercepted by and met with tenacious resistance from the 3d Column. In the meantime, the 4th Column of the 2d Army of the Northeast Field Army arrived at the Pingsui railway and wiped out the command post of the 16th Corps at Kangzhuang and Chadao as well as major parts of the 109th and 22d Divisions. With its route of retreat cut off, the 104th Corps hightailed it toward the east and was wiped out midway.

After the 35th Corps escaped eastward, we seriously summed up our experiences and lessons and reiterated to the units that no longer should the enemy be allowed to break through, and that any unit through which the enemy made a breakthrough would be charged with the responsibility for failing to stop the enemy from making a breakthrough. The various units immediately took action to reinforce their fortifications, redeploy their troops, and strengthen the encirclement. The 3d Army ordered the 1st Column to recapture Shalingzi and the nearby airfield to ensure a complete cutoff of the road from Zhangjiakou to Xuanhua. After receiving the order, the 1st Column immediately wiped out the enemy's 271st Division, captured the division commander, liberated Xuanhua, and forced the 310th Division to retreat

to Zhangjiakou. For that, the 1st Column was commended by cable by the Central Military Commission. At the same time, the 3d Corps captured Jiaodingshan, Xidianzi, Shisanliying, and other peripheral positions to tighten the encirclement around the enemy at Zhangjiakou. A part of the Beiyue Military District's troops and the cavalry troops from Inner Mongolia liberated Zhangbei, Kangbao, and Shangdu to form a second layer of the encirclement. The 8th Column of Shanxi and Suiyuan led by Political Commissar Li Jingquan, and the local armed forces units from Shanxi and Suiyuan, captured Jining, Fengzhen, and Zizhuoshan to form a third layer of the encirclement. Thus, an airtight encirclement was completed around Zhangjiakou. Many times the enemy tried to break through the encirclement, but they were all driven back.

Meanwhile, the deployment for the whole campaign to cut off and encircle the enemies in Beiping, Tianjin, and Tanggu was still underway. To keep the enemy in their positions, the Central Military Commission ordered the 2d and 3d Armies of northern China to slow down their attack on Xinbaoan and Zhangjiakou, instructed them to "encircle without attack" for 2 weeks to prevent the enemy from escaping toward the east or west, and ordered the Central China and Eastern China Field Armies to postpone their final deployment on the Huaihai battlefield for 2 weeks, thereby causing Chiang Kai-shek to be unable to decide whether or not to withdraw his troops from Beiping and Tianjin by sea routes and to keep only Fu Zuoyi's troops in northern China to wipe out the enemy there.

According to a Central Military Commission cable, the 4th Column (with Wu Kehua as commander and Mo Wenhua as political commissar) of the Northeast Field Army, which arrived in Xuanhua on 20 December, was put under the command of the 3d Corps in order to beef up the forces encircling Zhangjiakou.

### III

On 21 December, Northern China's 2d Field Army attacked the enemy's 35th corps in Xinbaoan. By dusk the next day, the 35th Corps' 15,480 men were completely wiped out.

Our judgment was that after the 35th Corps was wiped out, the enemy in Zhangjiakou would soon decide to break through the encirclement. To prevent the enemy from escaping to the west, we reinforced our deployment in the west and southwest and at the same time ordered the troops in the north to dig in strategic positions in the mountains in preparation for intercepting the enemy. The Field Army's forward command headquarters was established on Xitaiping Shan, located to Zhangjiakou's northwest, and faced Tongtaiping Shan from across a river. Looking down from Xitaiping Shan, which towered above all the surrounding mountains, one could see the entire battlefield. From a strategic point of view, we believed that to fight a war of annihilation well, the

important thing was to block the enemy. If the enemy tried to break through from the north, the success or failure of blocking the enemy lay in whether or not our troops could hold the line between Xidianzi and Chaotianwa north of Zhangjiakou, because a large gully led directly from Zhangjiakou's Dajingmen to Chaotianwa, beyond which lied the vast expanses of grassland north of the Great Wall.

At dawn, shells exploded in the positions of the 3d Brigade, 1st Column, at Xidianzi and Chaotianwa. The black smoke hung overhead like a cloud. The enemy came rushing out of Dajingmen in an attempt to break out of the encirclement along the river banks and the highway. The enemy cavalry, infantry, and artillery forces, camel caravans and horses with supplies and gear were all mingled together. We ordered the 3d Brigade to hold fast to its positions at Xidianzi and Chaotianwa; directed the 2d Column to attack Dajingmen from Huangtuling and the two cavalry divisions in Inner Mongolia to move to Wushijiazui, Madiyingzi, Hannobei, Dianmenkou, Guangtubei, and its southeast area to form the second and third interception lines; instructed the Northeast 4th Column to dispatch part of its main forces to interject in the southeast area of Chaotianwa and Xidianzi to launch a pincer attack together with the 6th Column from the south and the north; and ordered the rest of the troops to launch attacks shoulder to shoulder with the 1st and 2d Columns on Zhangjiakou from the southeast and the southwest.

As soon as the artillery fire ceased, the enemy threw two of its divisions into a fierce attack on our positions at Xidianzi and Chaotianwa. Xidianzi was a small village situated on the western side of the Dagou ditch some 3 kilometers to the north of Dajingmen. There were high mountains on both side of the village and a highway threaded right through it. This highway, which linked Zhangjiakou to Wulanhada, was the route the enemy had to take if it wanted to try to escape into Suiyuan from the north of Zhangjiakou. The enemy launched two consecutive assaults, touching off extremely intense fighting. Courageously hitting back at the enemy, the commanders and fighters of the 8th Regiment eliminated a large number of its troops. Badly battered, the enemy threw in another division plus a cavalry brigade for an attack on the regiment's defense position at Daisanshiyaozi.

The command post of the 8th Regiment was located on a hilltop. By rolling huge rocks down the hill, the regiment swept many enemy troops off their feet, thus successfully thwarting the enemy's attack.

The enemy's attack went on continuously for 8 to 9 hours, but only took several small villages at Xidianzi and Chaotianwa. All of a sudden, gunfire broke out all over the place inside the city of Zhangjiakou. The 2d Column, as well as the northeast 4th and 1st Columns, all broke their way into the city. After some street



newly added population. In the 1978-84 period, however, our population growth rate slowed down to 1.212 percent while agricultural crops were growing at 5.6 times that of population growth. As a result, the people's living standards improved substantially in this period. In contrast, our population growth picked up to 1.46 percent in the 1985-87 period while the growth of agricultural crops dipped to 1.37 percent, lower than the increase of the population. If this situation continues much longer, it will obviously be impossible to make steady improvement in the people's actual standard of living.

3. At the current rate of increase, it is difficult for agricultural output to meet the residents' rapidly expanding consumption. The average annual rate of increase of urban workers' wages increased from 7.75 percent during the period 1978-1984 to 14.9 percent during the period 1985-1987. The urban resident's average annual cost of living increased to 102.67 yuan in the last 3 years from 48.67 yuan in the previous 6 years. But the urban residents' food expenses dropped only slightly from 57.5 percent of their annual cost of living in 1978 to 53.5 in 1987. Therefore, the urban residents' rapidly increasing income, plus that of the rural residents, put a great pressure on food supplies. The average per capita consumption of grain in 1985 and 1986 dropped 7.7 and 5.9 percent respectively compared with 1984. But the urban residents' per capita consumption of pork in those 2 years respectively increased 5.4 and 9.3 percent over 1984. From 1978 to 1984, China's beer output increased at an annual rate of 307,000 metric tons while from 1985 to 1987 it expanded to an annual rate of 1 million metric tons. The residents' rapid increase of income after solving their feeding and clothing problems fueled rapidly growing demands on grain both as animal feed and for making beverages. In recent years, this rapidly increasing consumption has far exceeded what the nation's agriculture can bear. The above facts clearly show that some major dislocations have appeared in the national economy such as the heavy imbalance in investment between the urban and rural areas and between industry and agriculture, the disparity between total demand and supply, and other factors. An aggregate index that fully reflects the above contradictions is the consumption gap between urban and rural residents. The gap has already begun widening since 1984 but at a faster clip in recent years. In 1978, the ratio between urban and rural residents in per capita consumption was 2.9:1. It was narrowed to 2.21:1 in 1984. But in the following 3 years, the gap continued to widen until it grew to 2.53:1 in 1987. This shows that the peasants' economic status has further declined in recent years. The situation will adversely affect a normal and stable agricultural development. Therefore, to reach the set goal of producing 500 million metric tons of grain by the end of this century, it is necessary to readjust the current policy on the distribution of national income, further curb urban demands, and continuously narrow the consumption gap between urban and rural residents.

## II

The many problems currently facing agricultural development show that important changes have taken place both in agricultural production and in its surrounding environment. Why have these problems not been promptly solved? It is largely because our agricultural policy has failed to adopt effective measures responding to these changes.

The major changes in agricultural production that have taken place in recent years can be summarized as the following:

1. The role played by traditional means in increasing agricultural output has obviously diminished and agriculture is turning in the direction of higher input for higher output. One of the traditional means for increasing agricultural output is to expand the acreage for sowing agricultural crops; the other is to increase the labor input vis-a-vis cultivated land to constantly raise the level of intensive cultivation. Since the total resources for developing cultivated land are limited, expansion of the sown area of a certain crop would limit the total supply of other farm products, thereby causing an imbalance in the supply structure of farm products. This would hinder our efforts to promote a balanced development of the national economy and a continuous improvement of the people's living standard. Therefore, expansion of the sown area of crops is a road that is likely to be restricted by objective conditions. Since 1978, China's total sown area of crops has always been on the decline. By 1987, it had been reduced by 3.43 percent as compared to 9 years ago. Of this total reduced acreage, 7.73 percent was that of grain crops. Although there were some abnormal factors behind it, this situation is more indicative of the following: (1) There is very little space left in China to expand further the sown area for crops; this is restricted strictly by the fact that the total resources of cultivated land are limited. (2) Since 1979, the increase of China's principal agricultural products, particularly the total output of grain, has been due mainly to the increase of unit yield per mu of cultivated land. Given the fact that China's total area of cultivated land is decreasing while population is rising every year, a gradual increase in per capita income in the rural areas is bound to be severely restricted if the limited cultivated land is our only reliable alternative in absorbing the constantly growing new agricultural labor force. Therefore, generally speaking, it will be inevitable for China's rural labor force to gradually turn away from rather than moving toward the cultivated land. During China's Sixth 5-Year Plan alone, the number of rural workers engaged in crop planting went down by as much as 6.5 percent (or 17.38 million people). This shows that the high-speed development of agriculture during the Sixth 5-Year Plan was not sustained by relying upon the increase of the human labor force in crop planting. The fact is that during the Sixth 5-Year Plan the amount (adjusted net amount) of chemical fertilizers used in China increased by an average of 44.1 percent per mu, the sown area of

hybrid paddy rice was expanded by 48.3 percent and, in the period between 1982 and 1985 alone, the total area of principal crops covered by plastic sheets had expanded by as much as 92.8 times. This indicates that, aside from the reform of the system, the marked increase in the input of material and technological elements constituted an indispensable factor that contributed to the fairly fast development of agriculture, particularly the fast growth of total grain output, during the Sixth 5-Year Plan. People have long realized that the traditional means are playing a smaller and smaller role in increasing the agricultural output. The fact that in the past 4 years our total grain output fluctuated without showing increases serves once again as a warning to us that to attain agricultural growth it is becoming increasingly necessary to obtain material and energy input from outside the agricultural sector. Only in this way will it be possible for us to continuously increase the output of agricultural products on the basis of the fixed natural resources for agriculture.

2. The agricultural productive forces we had developed over the years prior to reforms were released in a relatively more concentrated way in the early stage of the reform of the systems. As a result, our agricultural productive forces have been further enhanced and now need the support of new basic facilities. It is true that the major reason for the high rate of agricultural growth between 1979 and 1984 is the implementation of the output-related system of contracted household responsibility as part of reforms. Yet by greatly increasing purchase prices for agricultural products and better utilizing agricultural investments we have made for years, the government also played a vital role in pushing up the agricultural growth rate. Without earnest workers, we cannot make the most of basic agricultural facilities. To steadily and continuously transform the initiatives of the peasants into concrete productive forces, we must constantly update, expand, and improve the basic agricultural facilities. In recent years, there has been a steady downward trend in government investment at all levels in basic agricultural facilities. The proportion of the state's investment in agricultural capital construction to total capital construction investment dropped from 10.5 percent of the Fifth 5-Year Plan period to 5.1 percent of the Sixth 5-Year Plan period; and the absolute investment volume for the Sixth 5-Year Plan period plunged 29.8 percent as compared to the Fifth 5-Year Plan period. The proportion of the state's capital construction investment in the agricultural machinery, chemical fertilizer, and farm pesticide industries to its total investment in heavy industry went down from 10 percent during the Fifth 5-Year Plan period to 3.4 percent during the Sixth 5-Year Plan period; and the absolute investment volume plummeted 58.3 percent. One thing that deserves our attention is that, after the revenue-sharing system went into effect, a great number of local governments have diverted the funds earmarked for capital construction of water conservancy works to other uses. To date, the practice has yet to be completely corrected. It takes a long time for either large- and medium-sized

water conservancy facilities or various types of agricultural production enterprises to see economic results after their establishment. If we do not update and expand the basic agricultural facilities built before the Fifth 5-Year Plan period on a timely basis, our country's agricultural development will not only be restricted in the immediate future but also be seriously affected in the 1990s.

3. The growing tendency of attaching importance to the market has put the circulation of funds and products more and more at the mercy of the law of value. However, due to the fact that the production of staple agricultural products such as grain, cotton, and edible oil is almost unaffected by the market, it has become increasingly difficult to attract funds and input into the production of these agricultural products. The lack of reserve strength in agriculture has caused concern and misgivings among various circles in society. The call to attach importance to agriculture and increase input into agriculture has become increasingly urgent. However, so far we see only limited increase in agricultural input. In recent years, a strange phenomenon can be seen in local governments at various levels: While governments at all levels place emphasis on increasing agricultural input, more often than not they are reluctant when making budgets to use their own revenues to invest in local agriculture; rather, they leave the hole to be filled in the government budget at a higher level. The root cause for this buck-passing cannot be generalized with a simple assumption that governments at a certain level or certain departments have not attached due importance to agriculture. The most immediate cause lies in the fact that agricultural investments rarely bring high economic returns and, particularly, economic returns on the production of staple agricultural products such as grain, cotton, and edible oil are comparatively much lower. However, we should realize that behind the cause is the fact that as the market mechanism finds its way into our social and economic life, the direction of investment is more and more under the influence of market rules. The decline in the central government's budgetary income, investment, and allocations in recent years all pointed to a rising trend of allowing more free flow of funds on the market. Under the circumstances, it is only natural that we want to gain higher profits from our investment. We can say that stressing economic returns on investment is one of the goals of economic structural reform and the ability to regulate investment through market forces is a sign of our society's progress. The problem is that state finance and urban and rural residents are still not financially strong enough to allow market forces to dictate buying and selling staple agricultural products such as grain, cotton, and edible oil. Therefore, grain, cotton, and edible oil, whose prices are driven down by administrative measures, occupy a disadvantageous position in the competition in the monetary market and lack the power to attract funds and input. To redress the situation, we should draw a clear distinction between the economic behavior of the government and that of enterprises, rather than artificially restricting the role of the market in distributing funds. We should not reproach

enterprises (including agricultural households) for investing funds they acquire from the monetary market through competition on businesses or products with better economic returns as long as social interests are not being compromised. What is important is that the government should invest in fields where the market and enterprises cannot or will not invest. In other words, the government will adjust society's investment structure by redistributing its revenues and thus enable basic industries with high social benefit but low economic results, such as agriculture, to continuously get the necessary funds for development.

To a developing nation as big as China, the benefits of agriculture cannot be judged simply by economic standards; agriculture not only plays a role of safeguarding the people's livelihood but also shoulders the responsibility of accumulating capital for the nation's industrialization and for expanding the market. Accumulating capital for industrial development by agriculture is a stage through which nearly every nation must pass. However, the stage should not last longer than necessary. If agriculture is milked too long for capital to rapidly increase industrial output, not only will agriculture lose its own vitality and decline but industry will become too dependent on agriculture to lose its own incentive for raising efficiency. Therefore, as soon as possible after a basic industrial system has been established, it is time to introduce the market mechanism into the exchange between industrial and agricultural products, thereby maintaining agriculture's ability to accumulate capital and raising industry's ability to raise funds for its own development and to gradually shoulder the important historical task of supporting agricultural modernization. Therefore, to that end, a change of agriculture's role calls on the urban economic system and industrial and commercial enterprises to speed up their reform and create a favorable economic environment for the realization of stable agricultural growth.

### III

In the current situation of improving the economic environment and rectifying economic order, increasing the output of grain, cotton, and oilbearing crops by relatively large margins is still a very arduous task. On the one hand, under the conditions of inflation, to make up for losses caused by soaring prices of industrial products, the peasants will inevitably opt for increasing the output of agricultural products whose prices rise even more rapidly than industrial products. Although this situation can enhance the peasants' enthusiasm in growing certain cash crops such as livestock, poultry, eggs, vegetables, aquatic products, fruits, and other nonstaple foods, it nevertheless will create an unfavorable environment for growing grain, cotton, oilbearing, and other important crops. On the other hand, under the circumstances of economic retrenchment and tight money, to ensure high returns of their capital peasants are likely to invest their money in high-income industries or products. This will give grain, cotton, oilbearing seeds, and

other major crops a still greater disadvantage because the greater part of these crops are bought by the government at low prices. However, as basic products for ensuring social stability, grain, cotton, oilbearing seeds, and other vital crops play a decisive role in stabilizing the entire national economy. Therefore, should we fail to increase the output of grain, cotton, oilbearing seeds, and other vital crops by relatively large margins in the next 2 years, it would be very difficult to achieve the goals of curbing inflation and improving the economic environment. Therefore, it is necessary to lay down as soon as possible and in no uncertain terms a basic agricultural policy for a period of time to come.

1. Persist in and stabilize the basic policy supporting the system of contracted household responsibility related to output. The success of China's rural reform is directly attributed to eliminating a rural economic management system that was plagued by a high degree of centralization and serious equalitarianism, as well as the establishment of a household management system with independent management under which one is responsible for one's own risks, profits, or losses; and which fully embodies the mechanism of more pay for more work. It was precisely based on this system that markets of agricultural products, commodities, and production factors were initially established. In managing the rural economy, the government is currently making the transition from direct administrative intervention to the application of price, tax, interest rates, and other economic levers. The system of contracted household responsibility related to output not only is a most important vessel for developing a new rural economic system but has provided experience which has already been proven in practice, toward the formation of basic ideas for urban economic structural reform. Therefore, stabilizing the system of contracted household responsibility related to output must be a basic and unshakable rural policy for a long time to come. Recently, because the nation's grain output has not increased for four consecutive years, some comrades are beginning to doubt the potential of the system of contracted household responsibility related to output for continuing to increase agricultural output; some comrades have even suggested recalling peasants' independent management rights and restoring the old ways and policies of the controlled economy. These proposals are extremely harmful to both the reform and economic development. In the face of difficulties, we must look forward and find new ways. We should never look back and again pick up the old system which practice has shown to be harmful to the peasants. Persisting in, stabilizing, and improving the system of a contracted household responsibility system related to output should be a basic point in formulating various rural economic policies for a long time to come.

2. Implement a policy to ensure stable increases of agricultural production. Because of limited agricultural natural resources and insufficient investment in agriculture in the past, it is impossible to expect any rapid increases of agricultural production in the next 3-5 years.



For a period to come, it is necessary to create a stable environment for normal agricultural growth in two areas. First, it is necessary to establish a stable balance between supply and demand of agricultural products. Currently, it is particularly important to take strict and effective measures to curb those ineffective demands for food demonstrated in spending public funds on extravagant and wasteful dinner parties or profiteering in agricultural products or industrial raw materials in short supply, thereby minimizing false market information caused by ineffective demands from spreading among the peasants. Second, it is necessary to take immediate, reliable measures to ensure to a certain extent the increase of agricultural investments, including investments in agriculture-oriented industry. Otherwise, the delayed returns of investment in infrastructures will seriously affect the stable growth of agriculture in the 1990s. To achieve the goal of increasing grain output to 500 million metric tons by the end of this century, we must maintain a 1.9 to 2.0 percent annual growth rate in grain production during the next 12 years. This is not a high growth rate beyond our reach. The key to achieving this lies in the creation of a favorable environment conducive to the steady growth of agriculture. This requires governments and departments at all levels to recognize the irreplaceable and important role of the stable growth of agriculture in improving the economic environment and take concerted action to implement measures to ensure the steady growth of agriculture.

3. Adopt a policy to improve the terms of trade for agricultural products. To ensure agricultural growth, we must make higher input and produce higher output. However, agricultural managers will consciously do so only when they feel that they will profit from it. This requires a gradual increase, in real terms, in the price of agricultural products through a number of ways. On the one hand, we must gradually increase the proportion of agricultural products sold in the market and, on the other hand, set up a reasonable, stable ratio between the price of what was produced and the price of what was put in. Under the current condition in which the state lacks the economic strength to increase greatly the procurement price of agricultural products, it is necessary to increase appropriately the barter between what was produced and what was put in. This will prevent the price of input goods from rising arbitrarily and minimize the impact of inflation on the sale of agricultural products, thereby protecting the rightful interests of the peasants. In the final analysis, during the entire process of improving the economic environment and rectifying economic order, we must concentrate on improving the economic efficiency of urban industrial and commercial enterprises to increase their ability to absorb price increases. Only by doing so can we avoid unreasonably large price gaps in the course of price reform and prevent the trade terms of agricultural products from worsening further.

4. Implement a clear financial policy protecting agriculture, especially crop cultivation. Because we possess only limited cultivated land, because agricultural development

needs more and more investment, because in the long run the increase of productivity of the overall factors of agricultural production is always behind that of industrial production, and, moreover, because agriculture is a special undertaking exposed to the double risk of nature and the market, agriculture cannot fundamentally change its unfavorable position of low profitability, even after more market regulatory mechanisms are brought into trading agricultural products. This requires the government to adopt a clear financial policy to protect agriculture. This policy shall have the following main characteristics: First, it must set up a clear system to ensure appropriated funds for long-term investment in agriculture. At the same time, it must make agriculture more attractive to investors in society by adopting an effective income redistribution measure. Second, it must increase the ability of the government to stabilize the turbulent market supply and demand of agricultural products and make the government share, as much as possible, the market risk facing agricultural managers. Third, it must make the government assume the responsibility of investing in human resources and in agricultural science and technology to ensure the sustained growth of agricultural productivity and the accomplishment of the goal of agricultural modernization.

5. Adopt a preferential economic policy to guide rural microeconomic organization to a higher level. To introduce a market mechanism to agriculture on the basis of family operation requires gradually establishing a principal investor in the agricultural infrastructure (including facilities for circulating agricultural products) beyond the family unit. Only by establishing such a principal investor can we improve the ability of the individual agricultural managers to bear the risk of nature and the market. Therefore, it is necessary to clearly define property rights and, on this basis, work out a preferential policy to encourage the rapid establishment of rural microeconomic organizations, which will go beyond the family unit and become public assets. This will have a meaningful impact on the increase of agricultural input and the development of an agricultural products market.

#### **How Should We Use Policies and Systems To Encourage Peasant Households To Invest More in Land?**

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The first stage of the rural reform, which is mainly based on the system of contracted responsibilities on the household basis with remuneration linked to output, has separated the right to manage land from the ownership of land in rural areas and changed the major investment pattern in rural areas, i.e., from collective investment in the past to peasant households' independent investments

at present. Under these circumstances, how to maintain and further arouse peasant households' enthusiasm in land investment has become a major and practical problem in developing rural economy. For this purpose, we conducted an investigation in Linxiang County.

### I. The Current Situation and Characteristics of Peasant Households' Investments

Based on the results of the investigation, which covered 450 peasant households, 107 villagers groups, and 14 townships (towns) of Linxiang County, as well as the county's Bank of Agriculture and rural cooperatives and insurance companies, peasant households' investments have the following characteristics at present:

1. Peasant households are not interested in investing in all kinds of production and management activities based on and related to land. Instead, they are quite interested in investing in industry, commercial activities, transportation, construction business, and service industries. From the changes in the average investments of 60 peasant households surveyed on a sample basis, it can be seen that the percentage of their investment in land has been on the decrease in the last few years while the percentage of their investment in the secondary and tertiary industries has been on the increase.

#### A Comparison of the Average Investments of the 60 Surveyed Peasant Households:

Year	Total expenditure (yuan) [A]	Farming expenditure (yuan) [B]	B/A%	Expenditure in secondary and tertiary industries (yuan) [C]	C/A%
1985	133.4	122.3	91.6	11.2	8.4
1986	139.2	119.4	85.7	19.8	14.2
1987	146.4	114.4	78.2	31.9	21.9

The above figures also show that the major part of peasant households' investments is still in farming; however, the absolute amounts have been on the decrease while investments in the secondary and tertiary industries have increased quite rapidly. This trend continued in 1988. According to statistics gathered from nine townships and towns of the county, the direct investments in land in the first quarter of 1988 were only 19.5 yuan in average per peasant household, 40.4 percent less than 32.7 yuan in the same period of the previous year.

2. In general, peasant households are willing to spend a small amount of cash to buy production means such as seeds, farm chemicals, chemical fertilizers, and plastic films. However, they are not willing to invest in renewing and adding fixed assets, in improving soil, in developing infrastructure, and in other projects requiring a relatively large amount of funds. On average, each of the 450 peasant households surveyed used only 2.1 percent

of its total production expenditure in 1987 to buy fixed assets for production use and to improve capital water conservancy and irrigation projects.

3. The investigation results show that peasant households pay greater attention to short-term benefits while ignoring long-term economic results. Let us cite forestry production as an example. Linxiang County has a total of 652,000 mu of mountainous areas, of which 244,000 mu are good for production use, giving it very favorable conditions for promoting afforestation. However, because it takes a long time to benefit from afforestation, the great majority of peasant households in the county were unwilling to invest in contracting to afforest the mountainous areas. As a result, more than 170,000 mu of barren hills in the county are yet to be developed. According to the statistics of five townships and towns in mountainous areas, major forestry production households who contracted more than 100 mu of land only accounted for 3 percent of the total forestry-peasant households in those areas. The 75 forestry-peasant households surveyed used 1.1 percent of their total agricultural investments in forestry production in 1984. The figure increased to 1.9 percent in 1987, resulting in a mere 0.8 percent increase in 3 years.

4. Now let us take a look at peasant households' investment area. The investigation findings show that peasant households put major investments in that portion of land that ensures basic grain supply to themselves and invest very little in contracted lands. As peasants put it "It is enough to ensure enough to eat and to use." Linxiang County has 330,000 mu of paddy field, but only over 180,000 mu, about 60 percent of the total area, have been used for intensive and meticulous farming in the past 3 years. In addition, more than 20,000 mu of land have been left unused. Seventeen peasant households in Yanglousi, each of whom contracted 50 mu or more of paddy field, used only 23 percent of their total production investments on contracted fields, of which 70 percent were invested in growing grain for their own consumption.

### II. Policy Factors That Restrict Peasant Households From Investing in Lands

Policies are regulations governing more than the embodiment of the relations between various interests; they are a guiding factor in the investment behavior of peasant households. On the basis of our investigation, policy factors leading to insufficient investment in lands on the part of peasants are as follows:

1. The policy of the contract system on a household basis is not perfect. First, the contracted lands are too small. For example, 330,000 mu of grain plots in Linxiang County are scattered among 80,000 peasant households, averaging only 4 mu per household. Such small-scale farming is affecting the effects of scale and returns on investment. With an attitude of "farming for foods and doing other work for money," the peasants are attending to farming after a fashion. Second, the contracting period is not stable. Although the policy is that the contracting period is to remain unchanged for 15 years, land contracts are, as a matter of fact, being readjusted



every 3 to 5 years. Due to the short contracting periods, peasants are reluctant to invest in soil fertility improvement and irrigation projects that yield long-term benefits. Third, we do not have a policy of reward and punishment for the maintenance of soil fertility. The peasants are unwilling to use farmyard manure and relying too much on chemical fertilizer; they do not pay much attention to soil conservation, and they use the land excessively. According to the investigation, the total area in the county for growing herbaceous seeds is only one-third of that before the all-around contract system was introduced. Miscellaneous indigenous manure, grass ash manure, and green grass manure have all but disappeared.

2. The pricing system for farm and sideline products and the price policy are irrational. Early in rural reform, we reduced and straightened out, step by step, the price parity between some industrial and agricultural goods by raising the purchasing prices of some agricultural goods. The widespread price rises caused by "currency inflation" in recent years and the rapid increases in the prices of such agricultural means of production including plastic sheeting, seeds, insecticides, chemical fertilizer, coupled with the inverted ratio of state purchasing prices and retailing prices and the "double-track" price policy, have further widened the "scissors differential in the prices." Rising production costs of agricultural and sideline products and low prices will certainly lead to low returns on the peasants' investment in the land; in some localities the peasants are even unable to recoup their investment. According to our estimate made at Wanghe Village, Changan Township, the regular investment of labor and other resources in one mu of paddy field is 103.38 yuan, while the income is merely 99.45 yuan; the peasant in fact lost 3.93 yuan. On the other hand, the ratio of profits of investment in industry, commerce, and other sectors is very attractive.

3. The insurance system for investment in farmland is imperfect. The fact that agricultural production is subject to the influence of such factors as climate, area, timing, and markets has made agricultural insurance services a difficult business. Agricultural insurance services are termed the "most advanced branch of science" in international insurance circles. At present, agricultural insurance still accounts for a very small portion of China's insurance business as a whole. By the end of 1987, the volume of rural insurance accounted for only 10 percent of Linxiang County's insurance business and it included rural property insurance, life insurance, and insurance for village and township enterprises, the last alone accounted for more than 36 percent of all rural insurance business. Current efforts to develop, step by step, insurance services for rural crop cultivation and animal husbandry have also encountered many difficulties. On the one hand, the peasants do not understand insurance services and therefore have not actively demanded them; on the other hand, the unique style and requirements of rural insurance services, insurance for crop cultivation in particular, make this a very difficult

task, and we have yet to find out a complete set of measures to ensure success. Backward rural insurance services, insurance for investment in farmlands in particular, are another factor that discourages the peasants from investing in land.

4. There are major defects in the rural credit system. According to the division of work among China's banks, the Agricultural Bank and rural credit cooperatives are in charge of rural credits, and the bulk of rural credits is handled by the credit cooperatives. They have played a tremendous role in supporting rural economic development. Currently, there are, however, some discordances in the policy for circulation of funds in the countryside and peasants' demands for funds. First, the channels of capital inflow are limited. The principal credit services of the Agricultural Bank and the rural credit cooperatives are: Providing credits to agricultural means of production, experimental "demonstration households," and village and township enterprises. In general, village and township enterprises take more than 70 percent of the credits and the "gap" is still quite large. Of late, the various specialized banks have been given greater decision-making powers as part of the reform of the banking system. To expand business, they have intensified competition. Twenty-five savings offices have sprung up in an area of two square km in a district in Linxiang County. Consequently, it has become more difficult for the Agricultural Bank and the rural credit cooperatives to raise funds. At present, private credits in the countryside are still unstable in that they are not only unable to fill the "void" in the rural credit market but also blur the clarity of the rural credit market. As a result, the peasants are in need of large amounts of credit on one hand, and, on the other hand, due to limited channels of capital inflow, the peasants are diverting the credits intended for land investment and investing them in industry and commerce. Second, methods of fund circulation are not flexible. According to the investigation, out of business considerations, the Agricultural Bank and the rural credit cooperatives generally prefer lending money to peasants households that are apparently capable of making the repayment; they do not easily lend money to or altogether refuse to lend any money to poor households or peasant households without much anticipated income. Such a "money to the rich but not the poor" credit policy is very lopsided. Third, the credit period is too short. It ignores the special characteristics of agricultural production and directly affects long-term investment and the scale of investment. For example, generally, it takes 15 years for investment in afforestation to begin yield returns. Before that, the saplings and nursing all need investment. That the banks are laying too much emphasis on short-term loans will inevitably weaken the peasants' enthusiasm for long-term investment. This is not conducive to the comprehensive development of agricultural resources. Fourth, the interest rates are too high. The average interest rate was raised from 6 percent in 1985 to 9.7 percent in 1987; it again rose another

percent in 1988. This has made borrowing psychologically unacceptable for the peasants. All these reasons have restricted the peasants from investing in land.

### III. Policy for Guiding the Peasants To Invest in Land

The lack of enthusiasm on the part of the peasants for investment in land and the meager investment are due to the following two factors: First, errors and shortcomings in the making and implementation of the rural economic policy; second, no corresponding policy readjustments have been made in line with the changing socioeconomic environment. On the basis of our investigation, we believe that to guide the peasants to increase investment in the lands, we should start with the following key points:

1. Improving the land contract system. Almost all peasants agree that land should be contracted along the lines of specialization. This calls for relative concentration of land. There are, however, many difficulties for land concentration. The peasants, who regard their contracted land as private property, are unwilling to give it up or transfer it to others. Also, because there are not many stable jobs outside agriculture, peasants do not have the courage to leave the land and concentrate on other businesses. Moreover, an unstable structure of the rights to the land, loose land administration, and confusion over land rights at various levels also hamper land concentration.

How can we find a channel leading to land concentration and acceptable to peasants? We think the contracted responsibility plots can be specifically divided into grain ration plots and marketable grain plots. Grain ration plots are contracted on a per-capita basis linked with output; marketable grain plots are contracted under the responsibility system, with contractors obliged to fulfill contracts issued by local cooperative economic organizations, which have the authority and duty to decide whether to continue or suspend contracts, depending on the situation in management and how well contracts are being fulfilled. Thus, land can be concentrated step by step. By doing so, we can not only guarantee peasant households' basic need for grain but also let them enjoy considerable flexibility in their economic activities. As a result, this measure will be readily supported and accepted by the vast number of peasant households.

2. Adopt the soil fertility conservation policy. In view of the ever-reducing fertility of soil and the change in farmland contracting method, we think it is necessary to adopt the measure of cultivating and conserving land. First, incorporate the policy of cultivating and conserving land into contracts and regularize it as a set system. Land contractors are required to protect the fertility of soil and apply organic fertilizer as well as chemical fertilizer. Second, set up soil fertility awards. Grade land contractors. Draw a certain amount of soil fertility award fund in accordance with the grades of land, and

assess fertility of soil once within a given period. Contractors whose soil fertility wins better grade are given awards and whose soil fertility is graded poorer are punished. Expenses can be covered by the soil fertility award fund. The implementation of the system of cultivating and conserving land can, in terms of responsibility and benefits, urge and encourage peasant households to improve their investments in land.

3. Support insurance on land investments. Agricultural insurance is usually an insurance firm's loss-sustaining business. To reduce peasant households' investment risk, the government must help insurance companies to actively develop insurance business on land investments. First, financially help insurance companies insure land investments. Set a limit on insurance indemnities. When the indemnities exceed the limit, the insurance company pays only that part of indemnities below the limit. The rest will be taken care of by the government. Or set a profit-deficit percentage, and let the government and the insurance company share profits and compensation for deficits together. Second, help insurance companies develop insurance coverage on land investments and various ways to pay indemnities. In accordance with different periods in different places, make a choice of insurance coverages, amounts covered, premiums, and different ways to pay indemnities. It is necessary to suit measures to local conditions and be flexible.

4. Establish new rural financing mechanisms. We can begin with two channels: finance and credit loan. First, establish an agricultural development foundation through the channel of finance. The funds can come from three sources: the return of around 80 percent of farm tax, tax for using arable land, tax for special farm produce and tax on slaughtering animals; 2 to 3 percent of funds allocated from industry departments for agricultural development; funds raised by peasants and delivered to the state as agricultural accumulation. With the agricultural development foundation established through finance playing the dominant role, plus a part of funds collected among peasants, we can invest in the land capital construction the peasant households alone cannot complete. Second, agricultural banks and rural credit cooperatives should offer financing in the light of the characteristic of the need for funds for land investment by dealing with each case on its merits. Our tentative ideas include three plans: 1) Divide the credit funds for land investment into two parts, with one part as long-term development investment loan and the other part as short-term productive and managerial investment loan, and correspondingly adopt different credit systems and credit regulations. 2) Agricultural banks are responsible exclusively for rural land long-term development investment loan; rural credit cooperatives are responsible exclusively for short-term productive and managerial investment loan. 3) Establish new agricultural development banks, which will be responsible for rural long-term development investments, including land investments; merge the current agricultural banks

and rural credit cooperatives into rural cooperative banks, which will be responsible for rural short-term investments, including land short-term productive and managerial investments.

5. Institute a new price system that can induce peasant households to invest in land and create a good environment and good factors for land investment. It is most important that land investors be given more benefits so they will invest in land on a voluntary basis. First, maintain the protective prices for farm produce. That the prices of farm produce, particularly grain and cotton, are too low is a fait accompli. Since it is still impossible to completely decontrol the prices of farm produce at present, it is necessary to guarantee peasant households' economic benefits by using the means of protective prices. This is to satisfy peasant households' need for income through compensation. The finance departments at all levels are the major sources which maintain the "protective prices." According to their financial strength, all provinces, prefectures (cities) and counties give land managerial personnel certain preferential treatment and subsidies by offering higher prices and preferential prices; in regions where farm produce is transported into, farm produce will be purchased for increased prices, while in regions where farm produce is transported out of, the amount of money from the increased prices will be incorporated into local financial subsidy. Second, while maintaining the protective prices for farm produce, we can expand step by step the categories and scopes of "overt subsidy," gradually decontrol the prices of farm produce, and adopt the "single track system" of prices.

**A Survey of and Reflections on the Establishment by Zhejiang Province of Agricultural Development Funds**

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[Article by Gu Yikang 7357 4135 1660 of the Zhejiang Provincial Rural Policy Research Office]

[Text]

I

In recent years, some new problems have emerged in the sustained and rapidly expanding rural economy of Zhejiang Province. The most salient problems include the sharp contrast between low-earning agricultural and high-earning nonagricultural undertakings, as well as the increasingly acute contradictions between the production and supply of agricultural products and their consumption demands. Because of the relatively low profit margin associated with growing the principal agricultural crops related to the national economy and the people's livelihood, the peasants' enthusiasm for growing them has been dampened. This, in turn, has caused the grain output of our province to drop continuously for 3 consecutive years. What is even more worrisome is the fact that increased demand for agricultural products has failed to attract

greater agricultural investments, leading to shortages in both agricultural products and investment. Despite the call for increasing the reserve strength of agriculture by the leadership at all levels in recent years, an effective policy and a system for guaranteeing it are still lacking. According to statistics from the departments concerned, some 44 percent of the province's farmland has not yet met the requirement of ensuring stable yields despite drought or excessive rain; reservoirs, irrigation channels, and ditches, along with other water conservation facilities, have long been left unrepaired; rivers have become silted up; drainage and irrigation equipment has become obsolete; the ability to combat drought or flood has declined; and no additional investments have been made in farmland and water conservation projects for years. In the major commercial grain base of Jiaxing City, for example, 60 percent of the 7,938 drainage and irrigation stations have been in service for over 20 years and are nearly obsolete. These stations consume a great deal of energy, are operated at low efficiency, and are badly in need of replacement. The phenomenon of obsolete farm machinery, deteriorating soil, and degenerating seeds is universal. Compared with the daily increasing need for agricultural investment, the use of limited state agricultural and water conservation funds is like trying to put out a burning bundle of sticks with a cup of water—an utterly inadequate measure. Government financial departments at all levels have not been able to effectively increase agricultural investments. The role of regional economic cooperation as the accumulator of investment capital has seriously diminished. The lack of enthusiasm in peasant households for increasing agricultural investments is the result of their low return. These households are spending the lion's share of their money on housing construction and consumer goods or as investment in nonfarming undertakings.

In an effort to change this situation, many localities have implemented a policy of "subsidizing agriculture with industrial earnings" by investing part of the profit from village and town enterprises in agriculture to bolster grain production. Although this policy has played a certain positive role, it has failed to fundamentally change the situation pertaining to insufficient agricultural investments. This is primarily due to the limited channels available for fund raising, a lack of clear direction and the targets related to the use of funds, and unregulated management. In short, the policy of "subsidizing agriculture with industrial earnings" still needs improvement and further development and should be implemented as a regular system; the situation of soft restrictions on agricultural investments must be promptly corrected; and new sources of agricultural investment must be opened up. It is precisely for the purpose of meeting the objective needs of the current times that the agricultural development fund system of Zhejiang Province has been established.



## II

In 1986, after summing up the experience of Jiashan County's Ganyao Township with regard to improving the measures of "subsidizing agriculture with industrial earnings" and establishing an agricultural development fund system, the provincial government maintained that these measures were a good way to make a transition from "subsidizing agriculture with industrial earnings" to "building up agriculture with industrial earnings," for imposing hard restrictions on agricultural investments, and for increasing agricultural investment. The provincial government then decided to popularize those measures across the province. It proposed a principle stressing "positive attitudes, actions according to one's ability, development step by step, and continuous improvement" for implementing such measures. This decision gained the support and understanding of the various departments concerned, as well as the backing of the peasants, and was welcomed and supported by the grass-roots cadres. Pilot projects of establishing agricultural development funds at the township and village level rapidly spread across the province.

Township and village level agricultural development funds are primarily raised through the following six channels: (1) In addition to that part of the interest given to the government by the village and town enterprises earmarked as support agriculture funds, the provincial government has also raised the taxable wages of staffers and workers by 10 yuan, and the revenue from this additional tax is designated as agricultural development funds; (2) the rural household-run, joint household-run, or joint-stock companies, businesses, and construction or transportation firms, as well as individual peasants engaged in nonfarming undertakings, will make monthly payments to the agricultural development funds according to a certain standard; (3) a part or a major part of the money turned in to the government by peasant households or collectives, which have contracted to run various production undertakings, will be earmarked as agricultural development funds; (4) funds for land reclamation returned to townships or villages according to the relevant regulations will be earmarked as agricultural development funds; (5) a portion of the financial revenue retained by the village or township governments will be designated as agricultural development funds; and (6) part of the money paid by each rural laborer as a substitute for 20 days of labor for the government will be earmarked as agricultural development funds. The above six channels for raising agricultural development funds are obviously better than "subsidizing agriculture with industrial earnings," for the sources are relatively stable and they play a very important role in increasing agricultural investment.

However, because a village is small in area and the agricultural development funds raised by it can be used only within its bounds, it appears impossible to undertake any inter-village farmland capital construction

projects involving a large amount of investment, agricultural development projects, or investment projects for agricultural science and technology. This is why efforts are being made to explore ways to establish agricultural development funds at the county level while setting up such funds at the township and village level. This will serve to further improve the fund system. Agricultural development funds at the county level are raised through various departments and channels: (1) Without reducing the investment in agriculture originally planned, the county (or city) financial department annually allocates additional money for the agricultural development funds. (2) Funds for land reclamation and the tax for farmland use retained by the county are included in agricultural development funds. (3) Peasant-workers of the state and big collective enterprises (whose food coupons are issued to their households in rural areas) monthly pay 3 to 5 yuan to agricultural development funds. (4) Grain, supply and marketing, foreign trade, silk, foodstuffs, and other departments dealing in agricultural products or using agricultural products as their main raw materials give a proper portion of their profits to agricultural development funds. Jiaxing City was the first to establish agricultural development funds at the county level; each county under the city annually raises about 1 million yuan for the agricultural development funds by utilizing the above methods. This makes it possible for the policy of "industry subsidizing agriculture" to extend from the narrow scope of village and town enterprises to the whole of society, thus increasing the source of funds for "agricultural development with the aid of industry." This has also created conditions for the further improvement of basic facilities involved in agricultural production, as well as sustained agricultural development in counties. The provincial government promptly summed up Jiaxing City's experiences. After reviewing the situation in various parts of the province, the provincial government considered conditions ripe for instituting the system of agricultural development funds at the county, township, and village level throughout the province. This decision was included in a report to the provincial People's Congress. The system of agricultural development funds was regarded as a major measure to increase input into agriculture and to strengthen agriculture as the foundation of the economy. The General Office of the provincial government issued a "Circular on the Establishment of Agricultural Development Funds at the County Level," thus institutionalizing the agricultural development funds at the county, township, and village level.

When agricultural development funds are set up, attention should be paid to their use and management in order to ensure that the limited funds can achieve the best possible results in developing agriculture. This is the key to whether or not this system can persist and play its proper role. In this regard, Zhejiang Province has paid special attention to the following points:

First, it is necessary to decide on the scope in which such funds are to be used and to pay close attention to the

direction of investment. In using these funds, six principles should be upheld: to be conducive to ensuring a steady increase of grain, livestock, and other major agricultural products; to be conducive to improving the material and technical foundation for agricultural production; to be conducive to strengthening the service network for agriculture; to be conducive to relatively concentrated use of land and the improvement of economic results in large-scale farming; to be conducive to developing an export-oriented agriculture and increasing the competitiveness of agricultural products in earning foreign exchange; and to be conducive to encouraging peasant households to increase their input into agriculture. In the final analysis, it is necessary to be conducive to the development of agricultural productive forces in order to push this production to a new level. According to the above six principles, Zhejiang Province laid down six main points with regard to the use of agricultural development funds: (1) They are to be used to undertake farmland capital construction and to improve low-yielding farmland; (2) they are to be used to purchase or update agricultural machinery and equipment; (3) they are to be used to introduce, develop, or popularize new varieties of seeds or new techniques; (4) they are to be used to develop agriculture and to build commodity-producing areas and areas producing agricultural products for export; (5) they are to be used to reclaim land from marshes or wasteland; and (6) they are to be used to support big households specializing in grain production and pig raising. In short, such funds are to be used particularly to expand agricultural reproduction, to promote the development of modern agriculture, and to increase the possibility of sustained agricultural growth.

Second, it is necessary to clearly define the measures governing the use of development funds. We should combine nonreimbursable subsidy and assistance with compensated use and lay down the following regulations: All applications to use agricultural development funds must be submitted in a written report and then reviewed and approved by the economic management committee after a feasibility study has been conducted; large-scale investment projects must be jointly reviewed by all the departments concerned and submitted to the government at the same level for approval; and upon completion, a project must be reported to the economic management committee immediately in order that a check might be made on the use of the funds, as well as the project's beneficial results, before being accepted by the committee.

Third, it is necessary to work out an administration system and to improve the administrative organizations. All counties, townships, and villages which have established agricultural development funds should set up management committees to be responsible for fund raising and for the use and management of the funds. They should raise funds at different levels, and use and manage the funds in accordance with the situation at these different levels. They should open a special bank account for the funds, put someone especially in charge

of the financial accounting, issue a special invoice, and keep an account book. They should also conduct a check on the use of the funds at all levels and accept the supervision of the auditing and finance departments. A few counties and cities, such as Yuyao, Pinghu, and Haiyan, have even set up a three-grade report system under which a report will be made on the budget at the beginning of the year, a second on the execution of the budget by mid-year, and a third on the final account at the end of the year.

### III

Only 2 years after it set up agricultural development funds, Zhejiang Province has made gratifying progress and achieved good results, for the move was in compliance with the requirements of the times and the people's wishes. By August 1988, 69 counties (cities), or 77.5 percent of all the counties in the province, had set up county-level agricultural development funds and have already raised 61.25 million yuan; 1,113 townships (towns), or 34.7 percent of all the province's townships (towns), have set up township-level agricultural development funds and have already raised 85,811,000 yuan; and 11,873 villages, or 27.3 percent of the province's villages, have set up village-level agricultural development funds and have raised 130 million yuan. Counties, townships, and villages throughout the province have raised a total of 277 million yuan of agricultural development funds. Jiaxing, Shaoxing, Huzhou, Ningbo, and Taizhou, the five cities (prefectures) and counties that have made the quickest progress, have all set up county-level agricultural development funds. All 88.7 percent of the townships (towns) of the two cities of Jiaxing and Ningbo have set up township-level agricultural development funds.

Although it has not been very long since the system of agricultural development funds was established, there are already initial signs of what the funds could do to promote agricultural production. The system has already begun to play a role in "building up agriculture," particularly in those localities which established the system early and implemented it effectively. The method universally adopted by all localities in the province with regard to capital for farmland and water conservation construction during last winter and this spring was to rely on both state appropriations for water conservation projects and the agricultural development funds, with the primary contribution coming from the labor done by the peasants. The volume of construction completed and the earth- and stonework done are the highest for the 1980's. The province has also transformed 250,000 mu of medium and low yield farmland. In Jiashan County's Ganyao Town, which was the first to establish its agricultural development fund, four changes have taken place in agriculture. First, there is no longer any practice of abandoning farmland to waste. Second, the peasants have increased their input for farmland and are adopting such measures as returning straw back to the land and



increasing the collection of clay fertilizer and miscellaneous manure to increase soil fertility. Third, farmland and water conservation facilities are being repaired and mechanical and electrical irrigation and drainage equipment is being renovated. Fourth, there are now efforts being made to subcontract the land and to carry out scaled operations. The town now has 75 large grain-growing households that have more than 10,000 jin of grain to sell. Haiyan County, where agricultural development funds at three levels have been established and run with better results, has already raised 6.25 million yuan. They have used 2.45 million yuan of this to reclaim beach land, to build farmland and water conservation facilities, and to establish fine seed bases and seed storehouses. When these projects are completed, they expect to have more cultivated land and to enhance the ability of their farmland to resist drought and to prevent flooding. In addition to this, they can also expect to make substantial progress in developing fine seeds for all of the county's major crops.

The various localities are focusing the use of agricultural development funds on the building of farmland capital construction projects in which individual households find it difficult or are unwilling to invest, procuring large- and medium-sized farm machinery and equipment, and building agrotechnology and service systems. This has effectively improved the environment for investment in agriculture and helped to increase investment results. In some localities, the use of agricultural development funds is directly combined with the investments made by individual rural households in production. This has aroused enthusiasm among the peasants for increasing input in agriculture and expanding reproduction.

Zhejiang has encountered some difficulties and resistance in its efforts to establish the system of agricultural development funds. Some problems have been exposed. The work to establish the system has not been seriously carried out by all authorities throughout the province. Some local leaders simply do not know much about the significance of this work, nor are they men of strategic insight. As a result, they have been slow to respond. Some fear that the establishment of agricultural development funds will take up money earmarked for developing township enterprises and adversely affect local financial revenues. Bearing in mind only their own interests, some departments have regarded the collection of money for agricultural development funds as an "unjustified financial levy." Some local authorities only talk about the work, but they have failed to take any pains to promote it. In addition to this, some counties, townships, and villages which have already established an agricultural development fund have some problems with its use and management. Failing to use the fund according to its designated purposes, some of them have used it to achieve other ends. In some localities, a large proportion of the fund has been used as agricultural subsidies, which are like "blood transfusions." The key to overcoming these difficulties and problems lies in

achieving unity in thought and opinion among the leaders of governments at various levels, the leaders of various departments, and the rural grassroots cadres. We should improve their awareness of the need to increase agricultural investment and to strengthen the agricultural foundation. We should also organize our efforts in a practical manner to gradually standardize and institutionalize fund raising, as well as the use and management of agricultural development funds. We must enable agricultural development funds to really become a powerful lever favorable for more agricultural investment and further agricultural development.

#### IV

Zhejiang has achieved, in a short time, noticeable progress and good social effect [she hui xiao guo 4357 2585 2400 2654] with regard to its efforts to establish agricultural development funds. We can gain a good deal of enlightenment from the following points:

(1) The establishment of agricultural development funds is an attempt to adapt ourselves to the new situation emerging in rural areas with regard to the development of the commodity economy. It is also an attempt to establish a new agricultural investment system.

Since the reform was launched, changes in agricultural operations combined with adjustments in the production structure in rural areas have affected the original agricultural investment pattern. Facing such a new situation, we have failed to establish a suitable new agricultural investment system; yet we have watched the function of the old investment system gradually decline. Today, no effective laws or system remain to protect agricultural investment. As a result, there has been inadequate agricultural investment during the transition period. The proportion of nonagricultural undertakings is now increasing daily in rural areas. However, this does not mean that the status of agriculture as a foundation is gradually degrading. Under the new circumstances, agriculture needs even more attention, protection, and support from the state and the society as a whole. There is currently a relatively large scissors difference between industrial and agricultural prices, and an increasing gap between industrial and agricultural productivities. Agricultural comparative earnings remain relatively poor. It is also not practical to increase agricultural investment by completely depending either on agricultural earnings or on state subsidies. Therefore, it is necessary to formulate an explicit and effective law or system to protect agricultural investment. To date, the state has established special development funds for key weak links in the national economy, such as communication, energy, and scientific-technological education. However, there remains no development funds for agriculture, the weakest among the four key weak links in the national economy. This is really abnormal. In order to ensure steady agricultural development, we must proceed from

China's practical situation and establish a new agricultural investment system which can guarantee more investment from the state, localities, collectives, and peasant households.

Zhejiang's efforts to establish agricultural development funds are an attempt to set up a new agricultural investment system with tangible restrictions. Many cadres and people have maintained the following: Although the system of agricultural development funds is far from standardized, and its ability to raise money and yield results is limited, its significance and function, from a long-term strategical standpoint, cannot be underestimated. The system guarantees that the more financial revenues and earnings that the government, collectives, and peasants obtain from production and operations, the more they will invest in agriculture. This will effectively eliminate some intangible restrictions on agricultural investment, and help to find a relatively practical approach for the establishment of an agricultural investment system with tangible restrictions when we are making efforts to adapt ourselves to the new situation emerging in the development of the commodity economy in rural areas.

(2) The establishment of agricultural development funds is ideologically tantamount to telling the people again that we should regard agriculture as a foundation.

The most difficult problem and the strongest resistance that Zhejiang has encountered in its efforts to establish agricultural development funds are: Some local leaders and relevant departments have paid too much attention to industry, while ignoring agricultural development. They fear that the establishment of agricultural development funds will adversely affect local financial revenues, departmental interests, and the development of township enterprises. Facing shortage in both agricultural products and investment, they still lack a sense of crisis and responsibility. Our experience has shown us the important fact that where the system of agricultural development funds is quickly established and yields good results, there are leaders who strongly believe that they must regard agriculture as a foundation, and who regard the work to establish agricultural development funds as a process of ideological reeducation in which various departments, cadres, and the people are told that they should regard agriculture as a foundation. Many nonagricultural departments and units have been involved in the establishment of agricultural development funds, especially at the county level. Many localities have used public opinion and propaganda to promote the people's awareness of an agricultural crisis. They have also adequately consulted with the relevant departments, thus making some units which usually care more about their own interests than about agriculture feel that agricultural development is closely related to their own development, that it is their obligation to provide some money for agricultural development funds at a time when there are no adequate elements to support sustained agricultural development, and that it will help

their own departments to develop more quickly in the long run if agriculture develops well. As a result, their sense of responsibility and consciousness has improved.

(3) The establishment in rural areas of an agricultural investment mechanism supported by the development of nonagricultural undertakings and peasants' accumulation is indispensable to modern agricultural development.

The system of agricultural development funds has effectively eliminated the defect of "subsidizing agriculture with industrial earnings," a measure adopted in rural areas in the past. It has helped to realize the transition from "subsidizing agriculture with industrial earnings" to "building up agriculture with industrial earnings." In addition, it has helped to establish in rural areas a self-accumulating and self-regulatory mechanism, which relies on the development of nonagricultural undertakings and peasants' self-accumulation to provide funds for expanding agricultural reproduction and for agricultural modernization. These will gradually change the structural imbalance that agricultural development lags behind that of nonagricultural undertakings. It is possible that we may see such a sound cycle that with nonagricultural undertakings developing more and more in the rural areas, more of the labor force will leave farm work and more development funds will be provided for agricultural development. This will contribute to a simultaneous development of rural industrialization and agricultural modernization.

**One Additional Point—On the Necessity of Listing Spiritual Productive Forces as Part of the Productive Forces Criteria**

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[Article by Duan Ruofei 3008 5387 7236]

[Text] The 3d plenum of the 11th CPC Central Committee laid the correct line of making the emancipation and expansion of the productive forces the basic task and effected a fundamental change in shifting the focus of the work of the whole party and country, thereby ushering in a new era in the history of the People's Republic.

In carrying out the basic task of emancipating and expanding the productive forces, we will inevitably encounter the question of using the productive forces as the criterion in logic and theory, as well as in practice. Explaining the necessity of shifting the focus of the whole party's work to socialist modernization in his speech at the central work conference to make preparations for the 3d Plenum of the 11th CPC Central Committee, which, in essence, served as the keynote address for the 3d plenum, Comrade Deng Xiaoping unequivocally put forth and incisively expounded on the question of using the productive forces as the criterion. <sup>1</sup> The decade since the 3d Plenum has been one in which the party has led the people of the whole country in striving to emancipate and develop the productive forces. It has been a decade

of socialist modernization, of reform and opening to the outside world, and of developing a commodity economy. It has also been a decade that has seen penetrating and extensive changes in economic and social relations, as well as the emancipation of the mind and the development of theory. Along with the advances in construction and reform, we have been confronted in a clear and striking manner with the question concerning an approach to construction and reform, especially an approach to new circumstances and new policies in the course of reform; that is, the criterion for handling new circumstances and formulating new policies. The 13th CPC National Congress reiterated, emphasized, and attached special importance to the question of the productive forces criteria, which is of great significance in upholding the materialist outlook on history in carrying out construction and reform and promoting the construction and reform undertakings.

Over the past year or so, many practical work departments and theoretical and propaganda circles have unfolded an extensive discussion on the question of productive forces criteria. In the course of discussion, quite a few comrades have put forth and deliberated the correctness of their viewpoints, such as the productive forces should be the basic but not the sole criteria; productive forces, as the criteria, is a multifactor, multilevel dynamic system with man as the predominant force; productive forces cannot be separated from production relations, and it is impossible to stress production relations without the productive forces criteria and to stress productive forces without discussing the nature of production relations; the productive forces criteria should be integrated with the social and the ecological benefit criteria; and so on and so forth. All these viewpoints are very important. Here, I only wish to add one more point; that is, it is necessary to list spiritual productive forces as part of the productive forces criteria.

What follows is my explanation and deliberation.

After man evolved from the ape, his first historical activity, which has always been the fundamental activity of his social life as a whole, was production. Production, in addition to man's own production, consists of material production and spiritual production. Material production creates material products to satisfy people's needs in their material life, while spiritual production creates spiritual products to satisfy people's needs in their social and cultural life. The power to create material products is the material productive force, while the power to create spiritual products is the spiritual productive force. However, it is not easy to summarize the category of the material productive forces and the category of the spiritual productive forces from man's entire long productive practice and activities. On the one hand, we need a considerably high development of the material productive forces and the spiritual productive forces as the foundations; on the other hand, we also need a highly scientific, abstract thinking capacity. Therefore, the productive forces as a concept did not appear in documents on political economics until modern times. After the

middle of the 19th century, Marx reformed and developed this theoretical outcome. He upgraded the productive forces from a general concept to the most basic category of political economy and historical materialism, used it as a basis and starting point for the entire theoretical system of Marxism, and quite clearly defined all the implications of the category of the productive forces: "All productive forces are material productive forces and spiritual productive forces"<sup>2</sup> Touching on the conditions for the disintegration of the natural economy, Marx noted: "It is possible only when the material (therefore, the spiritual) productive forces develop to a certain level."<sup>3</sup> Marx also mentioned what he called "the obtained productive forces (in the material and spiritual aspects)."<sup>4</sup> Marx proceeded from such an intact and comprehensive category of the productive forces and used it as the center to establish the Marxist theory on the productive forces.

According to the Marxist theory on the productive forces, the material productive forces in society are different from gravitation, magnetic forces, and electric power in the natural world. They form a historical category, and have undergone a few stages quite different from those in nature in the history of social development.

As far as structure, the material productive forces consist of the objective productive forces (nature) and the subjective productive forces (man).<sup>5</sup> The subjective productive forces can be divided into a few aspects such as limbs, physical strength, and intelligence. These are basic elements which compose the material productive forces. Marx explained the activity of productive labor very well. He pointed out: "Labor, first of all, is a process between man and nature. It starts with man's own activities. It readjusts and controls the process of material change between man and nature. As a natural force, man sets himself against material in the natural world. In order to possess material in the natural world and use it to his advantage in his own life, man started to move his arms and legs, his head and hands—the natural forces of his body."<sup>6</sup> Thus, in any activity of material production, all basic elements that compose the productive forces system, or the objective productive forces and the subjective productive forces—man's limbs, physical strength, and intelligence—enter into the process of production simultaneously. None of them is dispensable. However, at the different stages of historical development, each of the basic elements is widely different in terms of its position and role in the activity of material production.

During the long period when man lived mainly on the natural products gathered, man depended on whatever Mother Nature bestowed. Gathering, though, required the participation of the subjective productive forces of the material productive forces system—limbs, physical strength, and intelligence. The economic effectiveness of that kind of production chiefly hinged on the natural conditions that man encountered; in other words, it depended on the objective productive forces. During this



historical stage, which lasted for millions of years, intelligence played a very small part in the whole material productive forces system and did not develop into an independent spiritual productive force. As a result, the progress of the material productive forces and the advancement of society as a whole were very slow.

Thousands of years ago, modern human civilization began, thanks to the invention and use of symbol systems for recording and communicating information—language.<sup>7</sup> Once modern civilization began, the progress of history was greatly accelerated. Commenting on the early stage of human civilization, Friedrich Engels once noted: "The progress in production was much greater than the combined total of the past historical stages."<sup>8</sup> During the thousands of years of civilization, intelligence, one of the elements in the process of material production, gradually developed into an independent force; it became an element of spiritual productive forces. It produced ancient scientific and technical knowledge and applied it to material production. The invention of iron smelting technology and the making and use of iron hand tools, in particular, set the stage for the magnificent ancient agricultural civilization.<sup>9</sup> At this historical stage, the status and function of the subjective productive force in material production—man—was elevated to a dominant position. However, man as the subjective productive force played his role mainly with his limbs and physical strength. Science and technology as an independent force did not play a significant role in the process of material production. As the products of the spiritual productive forces—science and technology—entered into the field of material production, the material productive forces were greatly expanded from the precivilized era. However, as the development of the spiritual productive forces was still in its primary stage and its products were just making their initial entry into the field of material production, the progress of the material productive forces was considerably slow compared with modern times.

When history entered the modern era, the spiritual productive forces achieved unprecedented liberation and development. Following the Renaissance, art, science, and technology prospered and developed. In the latter part of the 18th century, Britain started the Industrial Revolution. In the 19th century, the revolution engulfed Europe and North America, and it extended to the entire world in the 20th century. The Industrial Revolution has formed a new type of civilization—industrial civilization. During the period of industrial civilization, history has taken a giant stride in its progress. In the 1840's, Marx and Engels pointed out in "Communist Manifesto" that in less than 100 years, industrial civilization "created productive forces more and greater than the total productive forces created during the entire preceding period."<sup>10</sup> From then to the present, the achievements of industrial civilization have been many times the achievements of the first 100 years. The main symbol of industrial productive forces is

machinery. What are machines? Hegel said: "The rational is so powerful and cunning. The cunning nature of the rational is based on its indirect activities. These indirect activities cause interdependent effects on the object according to the characteristics of the indirect activities. The rational does not directly take part in the process of creating those effects but achieves its goal through those activities."<sup>11</sup> Machines are this rational—themselves a product of the spiritual productive forces—and can be considered the materialization of knowledge. Marx said: "The natural world has not created any machine. It has not created locomotives, railways, telegrams, textile spindles, or other machines. Machines are the product of man's labor. They have become the natural organ dominated by the will of mankind or tools used by mankind in his activities in the natural world. They are mental organs created by the hands of mankind. They are also the materialized power of knowledge."<sup>12</sup> During the period of industrial civilization, the speed of the development of the material productive forces and the great changes in world outlook are incomparable to the agricultural civilization period. However, man's physiological quality has not changed much, his limbs have not become longer, and his physical strength has not become greater. What, then, is the secret of such great progress in society? It is nothing but the creation of more and more advanced scientific and technological knowledge which has been applied to production and social life by the spiritual productive forces according to the law of acceleration of development.<sup>13</sup>

Since the middle of the 20th century, industrially developed countries have started a new technological revolution of very profound historical significance. This technological revolution is different from the few technological revolutions in history. This revolution does not cover one single or several types of technology. Instead, it covers all technological changes in the three great spheres of materials, energy, and information. Its most important characteristic is using electronic technology as the center and advancing the overall renovation of material technology, energy resources technology, space technology, marine technology, biological technology, and other types of technology. According to developmental trends, information industry based on electronic technology will surpass conventional industry and agriculture and play a dominant and superior role in society. A majority or an absolute majority of people will engage in the production, display, discernment, examination, transmission, screening, storage, processing, control, and utilization of information. Only a small number of people will be needed to directly engage in the production of materials and energy. Even in these areas, workers will be emancipated from direct process of production and become supervisors and regulators in the process of production by standing outside of it. According to the prospects shown by countries whose industrial civilizations are most developed, man will create on the basis of industrial civilization a brand-new civilization—super civilization.<sup>14</sup> Engels said that this will be "the most beautiful flower on the earth—a spirit which is

thinking" <sup>16</sup>—and an era when a hundred flowers will vie for beauty in full bloom. How, in the future, the spiritual productive forces will spur on the development of the material productive forces, social progress, and change in the world is difficult for people in our era to imagine.

The spiritual productive forces not only produce spiritual products such as natural science, technological science, and management science, but when incorporated into the process of material production as a key factor for the material productive forces, promote the rapid development of material production. They also create culture, art, religion, morality, law, and other spiritual products to satisfy people's mental needs. Our party Constitution stipulates: "Develop the productive forces to meet the growing material and cultural needs of the members of society." Material needs must be met by material products produced by the material productive forces; cultural (here culture refers to spiritual culture) needs are met by spiritual products produced by the spiritual productive forces. People's satisfaction with their spiritual activities, the heightening of their spirits, the enhancement of their democracy, the shaping of the atmosphere of their freedom of thought, the encouragement of healthy trends in society, the stability of social order, and the harmonious relationship among people all are indirect factors and external conditions for material production and form an invisible gigantic power which spurs on the development of the material productive forces. <sup>17</sup>

In building socialism, the development of socialist spiritual productive forces and the building of socialist spiritual civilization are not only forces that are not replaced in promoting the building of material civilization, but are necessary conditions for insuring socialist character and orientation in promoting reform and the open policy and the building of material civilization. If we overlook the building of socialist spiritual civilization, especially the ideological building, people will forget their long-range goals and lofty ideals, the spiritual support for socialism will fall, the fighting will for realizing the four modernizations and revitalizing the Chinese nation will disappear, various corruptive factors will corrode our party, the society will develop in an abnormal and evil way, and we will have a listless society with ideological confusion. Therefore, while vigorously developing material civilization, we must attach great importance to developing the socialist spiritual productive forces and strive to build socialist spiritual civilization.

In addition to this, the spiritual productive forces generate philosophy and social sciences. The study of philosophy and social sciences will enable us to understand the law of economic, political, and cultural life and the general law of the historical course of society. We can use the knowledge to guide people in managing, adjusting, reforming, and building the society, to promote the perfection and development of the society, and to lead people to build, as Marx said, a new world "which is

worthy of and most suited to human nature." <sup>18</sup> Here I would like to address one question in particular, and that is the relationship between Marxism—a great product of the spiritual productive forces—and the socialist movement. The socialist movement, which started in the modern era, has undergone 140 years of progress if we count it from the publication of the "Communist Manifesto" in 1848. Compared with all past social movements in history, the socialist movement has a very conspicuous character, namely, a scientific world outlook—Marxism—as its guidance. Therefore, it is a conscious movement instead of the past spontaneous social movements in history. Marxism is a complete and scientific world outlook. It is a science which tells us the universal law of world development, a science which tells us the universal law of the historical development of society, and, in particular, a science which tells us the universal law of the development of capitalism, the change from capitalism to socialism, and the development of socialism and communism. The socialist society is a society consciously created by the people under the guidance of a Marxist world outlook in conformity with the universal law of the historical development of society in light of the special characteristics of the times and the actual situation in the country, in which "each person's own development is the condition for the unrestrained development of all people." <sup>19, 20</sup>

Should we worship spontaneity and show contempt for, or even attempt to divorce from, the correct theoretical guidance, we will deviate from the general direction and goal of building socialism with Chinese characteristics. The basic program formulated by Comrade Deng Xiaoping says: "Integrate the universal truth of Marxism with the reality in China and take our own road of building socialism with Chinese characteristics." This basic program consists of three points and implies meaning at three levels: 1) theoretical guidance; 2) the road for advance; and 3) strategic goals. This meaning is an integrated body at three interrelated levels, including the theoretical guidance of "integrating the universal truth of Marxism with the reality in China," which is of utmost importance for exploring our correct road and reaching our strategic goal of building distinctively Chinese style socialism. Looking forward to the 21st century, Comrade Qian Xuesen said: "Whoever gains an upper hand in philosophical thought, the leadership arts, and scientific policy decisions will take command and win victory in the race." <sup>21</sup> Marxism reveals the universal law on world development, points out the basic direction of historical movement, and provides the scientific methods for exploring truth and grasping the law. Marxism can help us take the strategic command and guide us in winning victories in the structural reform and socialist construction. We should bring into play our special and powerful advantages by conscientiously placing ourselves under the guidance of Marxism. Natural and technological sciences can, in the sense of viewing society as a general system, provide tactical solutions for local problems in the development of the whole society, whereas Marxist philosophy and other social sciences



can solve overall strategic problems. It is erroneous and harmful to underestimate the important role played by natural and technological sciences in promoting social progress. However, in solving fundamental strategic questions on social development, such as ways for building socialism with Chinese characteristics, we will ultimately depend on Marxist philosophy and social sciences, and on the alliance between philosophy and other social sciences and natural sciences. In a talk to philosophical workers last January, Comrade Li Ruihuan said: "As far as scientific research is concerned, we are confronted with serious problems in, not natural science, but philosophy and the social sciences." "From a long-range view, most problems China will encounter in the future will involve philosophy and the social sciences, not natural sciences." The general task we face today is, as Comrade Deng Xiaoping has advocated, to build socialism with Chinese characteristics. Society is a multifactor dynamic system centered on man and founded on the economy. Therefore, the most important and fundamental task of philosophy and social sciences is to study the overall social development strategy for a distinctively Chinese style socialism, that is, a comprehensive strategy for developing culture (including education, literature, arts, ethics, and general conduct of society), science, technology, economic and political affairs, and ecology with the aim of serving man in the initial stage of socialism in China. Comrade Deng Xiaoping has pointed out: "Our work in all fields should be evaluated on the basis of the criterion of whether or not it is conducive to building socialism with Chinese characteristics and to promoting the prosperity and the happiness of the people."<sup>22</sup> This should be our supreme standard in carrying out the work in all fields. Karl Marx profoundly pointed out: By their very essence, feudalism despises man, condemns man, and does not treat man as man;<sup>23</sup> capitalism turns men into alienated men; and socialism sets man free and makes all-round men.<sup>24</sup> The dedication to man's prosperity and happiness basically sets socialism apart from both feudalism and capitalism and is the most important intrinsic characteristic of socialism. Our socialist development strategy, therefore, must focus on our people. The modern and contemporary history of the world shows that the advancement of a society depends on its culture, science and technology, management, and economy. Our development strategy, consequently, should also be a comprehensively targeted strategy that is guided by our culture and centers on our economy. As far as Marxism is concerned, socialism is a new and more advanced civilization developed in the course of human history. When we work to design our socialist development strategy—a development strategy for building a socialist society with Chinese characteristics—it is logical then that we should be guided by the Marxist world outlook and enlist philosophy and other social sciences. We, therefore, must pay great attention

to developing the spiritual productive forces as well as philosophy and other social sciences. We have to study Karl Marx and surpass him.<sup>25</sup>

After the above historical review and theoretical explanation and discussion, we have now come to the following clear and definite conclusions:

1. The complete scope of the Marxist productive forces consists of both material and spiritual productive forces. The basic elements of both can move back and forth between the two. It is a one-sided view of productive forces that perceives only the material productive forces without seeing the spiritual productive forces, and this should be corrected. 2. The material productive forces have developed from the primitive to advanced stages along the following track: from the primitive productive force relying mostly on the forces of nature and unwieldy tools, to the ancient productive force using mainly manual labor and characterized by the use of metallic hand tools, to the modern productive force marked by machinery technology, and to the contemporary productive force based on electronics technology. In these stages of the development of the material productive forces, products of the spiritual productive forces—scientific, technological, and managerial knowledge—have also grown proportionately and played an increasingly important role in the system of material productive forces. Science and technology occupy a crucial position in the system of contemporary productive forces and top all other productive forces.<sup>26</sup>

3. A general review of the entire course of human history shows an accelerating scene of social development. From the beginning to the present of historical movements in the world, it took millennia from the age of barbarism to civilization, thousands of years from the agricultural to the industrial civilization, and several centuries from the industrial to supercivilization. The pace and level of progress in human history is in direct proportion to the increase and enhancement of status of spiritual productive forces in the social system as a whole. In modern society, knowledge (including knowledge about philosophy and social sciences as well as natural and technological sciences) is the most important of all assets. Advanced spiritual productive forces are the most powerful and effective of all productive forces in promoting social progress.

In brief, we are fully justified in stating that it is necessary to list the spiritual productive forces as part of the productive forces criteria, using the entire productive forces criteria as the basic yardstick in evaluating the progress of history, the merits and demerits of a system, and the success or failure of the reform. We are also justified in regarding the comprehensive development of material and spiritual productive forces as a means of satisfying the material and cultural needs of all members of society as the starting point and goal of our party's entire theoretical and practical work.

# Footnotes

1. *Selected Works of Deng Xiaoping*, pp 140-141.
2. *The Complete Works of Marx and Engels*, vol 46, book 1, p 173.
3. *Ibid.*, p 505.
4. *Ibid.*, vol 18, p 682.
5. *Ibid.*, vol 46, book 1, p 22, 495.
6. *Ibid.*, vol 23, pp 201-202.
7. There are various theories about the beginning of human civilization. According to information theory, modern civilization began with the invention and use of language.
8. *Selected Works of Karl Marx and Friedrich Engels*, vol 4, p 22.
9. Engels pointed out that iron was the most important of all materials that revolutionized history; *ibid.*, vol 4, p 159.
10. *Ibid.*, vol 1, p 256
11. *Collected Works of Marx and Engels*, vol 23, p 203
12. *Ibid.*, vol 46, part 2, p 219
13. Explaining this in terms of the number of scientists, which indirectly shows the level of development of the spiritual productive forces, there were only 1,000 scientists in the world in the year 1800. The number increased to 10,000 in 1850, to 100,000 in 1900, to 1 million in 1950, and to 3 million in 1970. According to the estimate of James Martin, a British expert in forecasts about technology, the knowledge of mankind doubled in 50 years during the 19th century, doubled every 10 years during the early 20th century, doubled every 5 years during the 1970's, and doubled every 3 years during the 1980's.
15. Some scholars call this civilization "post industrial civilization" or "superindustrial civilization," while some scholars call it "information civilization," and some scholars call it "scientific civilization." (I tentatively call it "supercivilization.")
16. *Selected Works of Marx and Engels*, vol 3, p 462.
17. In his famous book, *The National System of Political Economics*, in the Commercial Press 1983 edition, on page 23, the German economist List (1789-1846) wrote: "Christianity, monogamy, the abolition of slavery, and demesne in feudal society; the succession to the throne, the invention of printing, newspapers, mail, currency, measurement, calendar, timepieces, police, and other things and systems; the implementation of the principle

of free possession of real estate; and the adoption of means of communication—all these are rich sources for the growth of the productive forces. If there are doubts about this statement, simply compare the situation in all European countries with that in Asian countries and you will understand. The freedom of thought and ideology can greatly influence a country's productive forces. To make an appropriate assessment, just read the history of England and then the history of Spain. Openness of judicial affairs, the jury system, parliamentary legislation, supervision over administration by the public, regional autonomy, freedom of speech, freedom of association for beneficial purposes—all these are sufficient to enhance to a certain extent the spirit of a constitutional state's citizens and officials. It is very difficult to use other methods to achieve such results. The decision in law or public law will always have more or less influence on the increase or decrease of a country's productive forces. It would be incredible to say there is no influence at all." The reasonable ideas in List's counts merit our attention.

18. *The Collected Works of Marx and Engels*, vol 25, p 927.
19. *Selected Works of Marx and Engels*, Vol. 1, p 273.
20. In early 1894, Kaneipa [0595 0355 1584] asked Engels to write a few words of introduction to the soon to be inaugurated "New Era" and use simple and clear language to express the basic characteristics of the future socialist era as against the old era in which "some people rule and some other people suffer," as described by Dante. In this respect, Engels had the following to say: Other than quoting a passage from the "Communist Manifesto," I cannot find appropriate words, so I will just say: "Replacing the old bourgeois society in which there are class and class opposition, is a union in which each person's own development is the condition for the unrestrained development of all people." (*Collected Works of Marx and Engels*, vol 39, p 189.)
21. RENMIN RIBAO, 23 September 1988.
22. *Building Socialism With Chinese Characteristics*, revised and enlarged edition, p 12.
23. *Complete Works of Karl Marx and Friedrich Engels*, vol 1, p 411.
24. *Ibid.*, vol 23, p 649.
25. As early as 80 years ago, in 1908, Meilin [2734 2651], who was closely associated with Karl Marx and Friedrich Engels and who was called a Marxist by Vladimir Ilyich Lenin, made the following remarks: "Marx is not a god, nor is he a demigod. He is not as free from sin as the Pope, either. Instead, he is a thinker who has expanded the scope of man's knowledge from the roots up. We cherish his foresight but we do not see it as the end of man's knowledge. Since he is looking ahead, we shall not try to reverse this. We shall be happy should one day Karl Marx, like Georg Wilhelm Friedrich Hegel and Lijiatu [2621 0857 0956], be surpassed. Backing off from

Karl Marx is to return to the 'quagmire of ignorance,' which is something I will never do." (Meilin: *Defending Marxism*, People's Publishing House 1982 edition, pp 301-302.) On the scientific foundation he established, we should further advance Marxism.

26. The ratio between manual and intellectual labor used in material production is about 9 to 1 in the initial stage of mechanization, 6 to 4 in the intermediate stage of mechanization, and 1 to 9 in the totally automated and mechanized stage. The reliance on scientific and technological advances in increasing labor productivity was from 5 to 20 percent in the early 20th century and from 60 to 80 percent in the 1980's. The role of science and technology in Japan's economic growth was about 20 percent from 1955-1960; 30 percent from 1960-1965; 40 percent from 1965-1970; 45 percent from 1970-1975; and more than 60 percent from 1975-1980.

### **China's Rural Land System Awaits New Breakthroughs**

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in Chinese No 12, 16 Dec 88 pp 31-34

[Article by Ma Li 7456 0500 of the State Council's Rural Development Research Center]

[Text] The Rural Development Research Center of the State Council recently held a "Seminar on the Rural Land Question." Theoretical explorations and exchange of experiences were made at the seminar regarding the theory of land system and the establishment of a good mechanism to facilitate extended and stable development of agriculture, land exchanges, and the development of scaled operations of the land.

### **Establishment of a Land Property Right System Is One of the Fundamental Tasks of In-Depth Reform in the Rural Areas**

The practice of the contract system of responsibility linked to production is a major change of the land system carried out spontaneously by the peasants. It has: 1) firmly established the leading position of family-based operations; 2) realized the division of land ownership and land use right concerning this basic means of production; and 3) adhered to the equal share principle in allotting the resources and the means of production. This major change has touched off a profound rural revolution. The fact that the peasants have the right to use the land and reap returns from it has triggered a historical change from the natural economy to the commodity economy and constituted the basic point for the establishment and long development of the rural system. This has pushed the development of social productive forces by a large measure. However, as the socialist commodity economy develops and the reform is being carried out in depth, some shortcomings of the existing land system are becoming evident. First, the main body of the system of ownership is unclear, and the relations of property rights are vague. Since it is not permitted to buy, sell, rent, or

transfer land, the land ownership of organizations of collective economy is not complete, and the peasants do not have the disposal right to transfer land, nor the right to reap returns that come from land transfer. Secondly, the noncommercialization of the use of land has not been completely eliminated. For instance, there is no need to pay rent or a user fee when one uses the land of the collective. This makes it impossible to economically exercise the land property right of the collective. At the same time, land rent is not included in the calculation of the cost of an agricultural product or other product, rendering it an "incomplete cost." As a result, products are taken by the state through purchase at a low price. The aforementioned shortcomings have led to many problems and hidden dangers for the development of agriculture. They are mainly: 1) The peasants lack a sense of stability of the land they use, which has caused them to operate the land for short-term gains, engage in extensive cultivation or even to the extent of leaving the land to waste. This makes it impossible for agriculture to have effective accumulations and investment mechanism, thereby causing a lack of reserve strength for future development; 2) there is no possibility for a reasonable circulation of the production factors, resulting in limited-scale operations of the land in small, scattered pieces; and 3) the size of cultivated land is shrinking yearly; public facilities are being damaged; and there is no effective means to make macroeconomic readjustment and reasonable allotment of the resources.

In view of this, we should, by proceeding on the basis of persisting in the practice of the contract system of responsibility linked to production, adhere to the main line of commercializing and marketing the land to gradually establish a long-term, stable, and standardized land system. This will be a major task for the second-phase rural reform. However, given the fact that China is a large country and the situation is very complicated, it will be very difficult to adopt a uniform method in carrying out the building of a rural land system. Therefore, experiments must be fully carried out first.

### **Development of Property Right System Is Fundamental to Development of Land System**

#### **1. Establishing An Effective Property Right System**

Development of the property rights system is a fundamental issue in the development of the land system. In a property rights system, determining the ownership of property rights is considered a specific matter in setting up the system and is of secondary importance. The most fundamental issue is the effectiveness of property rights, that is, whether the property right can regulate itself to adapt to environmental changes. In most countries of the world, nationalization of land coexists with privatization of land; however, the effectiveness of the ownership system is what distinguishes one country from another and accounts for their wide differences in productivity and degree of modernization. A property rights system that is constantly optimized and reorganized to meet the



needs of development will boost productivity. Therefore, establishing an effective property rights system is fundamental to the development of a modernized economy in China. The effectiveness of a property rights system is judged by whether it arouses enthusiasm, facilitates accumulation, promotes exchanges, and costs little to delimit property rights while yielding good results. Since many complicated factors are involved in developing a land system, we should provide as many specifics and demonstrations as possible in setting up the system. China's land system in the future will certainly be a diversified one in terms of specific setup.

## 2. Selecting a Specific, Effective Property Right System

Setting up a specific and realistic property rights system has been a focus of debates at meetings. Some comrades stand for implementing multiple systems of ownership according to different situations, based on the existing system of collective ownership and the fundamental principle of the effectiveness of property rights, so that grassroots cadres and peasants will have greater room in making selections. For the sake of perfecting the collective ownership system, the production team should be made the subject of property rights (ownership rights may belong to the villagers' committee. In well-developed areas, it may be gradually switched to districts and townships as the situation changes). Some comrades maintain that we should learn from the advantages of nationalization and privatization, as well as the strong points of land systems in foreign countries and history, and recreate a land system that suits China's conditions. It may be a system that is neither fish, flesh, nor fowl. Most comrades in departments of practical work stand for further developing and perfecting the collective land ownership system. In developing a land system, some experimental zones have explicitly stated that the land property right belongs to the collective. Under this precondition, they have shown flexibility in exercising the rights to use and manage the land by adopting such measures as leasing through bidding, charging fees for land contracting, and transfer and making mortgaged loans. Fairly good results have been achieved. For the sake of increasing investment and making reasonable allocation of resources, some comrades have introduced the view of the theory of regional economy and called for privatization of land property right. Their argument is: Judging from China's reality, whether agricultural production has staying power or not is determined by capital investment. Due to uncertainty about land property rights, the peasants are unwilling to invest in agriculture and land. In the long run, agriculture will experience a new crisis. The second-stage reform of the rural areas is supposed to arouse the peasants' enthusiasm in investing their "funds." Privatization of land is precisely a solution to this problem. A private ownership system facilitates the production of farm products at low cost, in large quantities, and with good quality; the buildup of vital strength of agriculture; the development of village and town enterprises; the fullest demonstration of the superiorities in labor and resources; the construction of

production centers for producing labor-intensive products; and the establishment of a self-regulatory mechanism for ensuring long-term stability. Besides, land privatization will also hasten the process of turning land into marketable goods, thereby facilitating cycling of land and leading to its concentration. The views which are diametrically opposed to the above are: 1) The question of land right boils down to the question of land rent. Because of the low agricultural tax in China, the government removes a large portion of land rents mainly by purchasing farm products at low prices. Land rent collected annually in recent years is estimated at 30 billion yuan. If land is privatized, the 30 billion yuan of land rent will be turned over to the peasants, and the prices of farm products will be raised considerably, making it unbearable both to the state treasury and the peasants. If we then remove land rent from the peasants' hands again, they will not be happy about it. 2) Land privatization will hamper cycling of land because it costs very little for the peasants to keep the land. 3) When agricultural results are fairly low, the peasants would rather leave the land barren than make long-term investment in it. 4) In China, the value of property accounts for two-thirds of the total property in rural areas. Privatization will lead to tremendous social shock. 5) Land privatization tends to result in loss of macroscopic control over the land, which is unfavorable to the readjustment of the production structure. 6) Competitions based on private ownership system will be subjected to the law of jungle, and will lead to division into two opposing extremes. 7) Land privatization will subject land to egalitarian distribution once again, making land division even more refined.

Some comrades have advocated nationalization of land. Their reasons are: 1) The state has indirectly collected land rents by purchasing agricultural products at low prices. After nationalization of land, the state may collect land rents directly from land users, thereby straightening out the economic relations between the state and land users. 2) Nationalization of land will form a system to eliminate monopolization of the right to use land, and will enable the state to use land rent to regulate the use of land. For example, the larger the piece of land, the longer contract period may be granted on it, and the lower land rent may be imposed, forming an internal mechanism for the self-cycling of land. 3) Concentrating state-owned lands with people with technical knowledge and land management expertise through open bidding will contribute to developing an enterprise management system with the characteristics of a commodity economy and will do away with the "inertia" lately formed in land using through the implementation of the system of equally sharing lands. (4) Land rents collected from land users by the state can be used for setting up specific agricultural development funds, which will help agriculture departments develop and improve a systematic fund accumulation system. Those who are opposed to nationalization of land have argued that: According to an estimation, the total farmland in China is currently worth some 2 trillion yuan. The state by no means has



such a huge amount of money to purchase all farmland. It even does not have enough funds to redeem collective-owned lands in rural areas. Therefore, nationalization of land can only mean exploiting peasants. In addition, peasants would still have to pay the state annually for the use of land. This evidently is not acceptable to peasants. Moreover, in nationalizing land, the government has to set up a huge organization for the control, management, and supervision of land. This will not only incur high land transaction costs, but also will mix government's functions with economic functions.

Still, some people have suggested establishing a dual-track system in which land is owned by the state and individuals; or a system in which land may be owned by the state, individuals, or collectives. Many comrades are opposed to this suggestion, arguing that either of the suggested systems will weaken individual systems existing alone, and does not conform to the principle of effective property right.

#### **The Pushing and Pulling Force for Accelerating Land Cycling**

The issue of land cycling was another main subject at the discussion. The majority of participants of the meeting maintained that land cycling mainly refers to transfer of the right to use land. Some participants maintained that land cycling should also include transfer of land ownership. Discussion on this issue centered on the following two points:

##### **1. Causes That Impede Land Cycling and Ways To Eliminate Them**

Some comrades maintained that the causes that result in the slowness and even stoppage of land cycling in China are: 1) The property rights system: The systems of collective ownership and community ownership of land are not appropriate systems for breaking blood relationships and regionalism. 2) The system of the right to use land: The noncommercial nature of land has impeded land cycling and prevented people from making full use of lands. 3) The employment system: Rural enterprises have not set up a job security system, prompting peasants to regard farmland as a means to ensure job security. 4) The grain rationing system makes land a means for making a living. 5) The price system: Expanding the acreage of land requires added investments, but at present peasants do not have the ability to make more investments in land because of the relatively low economic results in agricultural production. Moreover, economic results of large-scale farming have also been rather poor. Most of the comrades attending the meeting suggested that the key to facilitating land cycling is to regard land as a commodity and a property. We should gradually encourage the transfer of the right to use land; make use of land price and land rent as economic leverage; classify lands into various grades; set theoretical and transfer prices of land; and encourage transfer of land through buying and selling, leasing, mortgaging,

selling shares, and other forms of transaction. However, some other comrades held that, since a land market has not been established at present, transfer of a substantial part of land should be conducted in the form of administrative readjustment by cooperative economic organizations. Still some other people maintained that the current rural economic development strategy of encouraging peasants to leave their farmland but not their hometown not only has not facilitated land cycling, but, on the contrary, has, in the form of subsidizing peasants, eliminated the needs for peasants to move around, and the needs for concentrating lands. Therefore, only by changing the current general and midterm rural economic development strategy can we find the most important force for accelerating land cycling. We should combine the shift of labor force with instanzialization and urban construction. The way to do it is to establish industrial development zones and, at the same time, lead peasants to counties or cities with fairly good foundations and conditions where they will concentratively develop industry to turn surplus rural labor away from land completely. Some comrades hold that the agricultural development of the underdeveloped areas mainly relies on the input of intensive labor forces while the developed areas, where opportunity labor cost is rising, have already begun to experience the urgent needs of replacing labor with capital. However, rural enterprises also need large sums of capital. Therefore, capital has now become the most scarce and badly needed resource. As there are still surplus labor forces everywhere in our country, we must resort to the shifting of the labor force as a means of reducing the capital pressure. On one hand, we should urge rural enterprises to make more use of labor forces to substitute for capital. On the other, we should, on the premise of property rights being clearly determined, shift labor forces from underdeveloped areas to developed ones. We should push for land transfer in the course of integrating labor forces of the underdeveloped areas with land of the developed areas. Some comrades hold that land has the functions of providing both economic and social guarantees, which are unfavorable to land transfer; and, therefore, the two functions should be separated. In accordance with changes in economic conditions, we can find substitutes for the guarantee-offering functions by: implementing monetization of land in areas with economic strength to alleviate the phenomenon of land being laid waste or uneconomically used; and carrying out compensated transfer of contract rights, compensation for land, and other measures in the economically underdeveloped areas.

##### **2. The Establishment of a Management System Conducive to Land Transfer**

Most people think that the reform of the system governing the right of land use is the key to land transfer, which in essence concerns the transfer of management rights. The major ideas and proposals are as follows:

1) The contract system. Realize the commercialization of land by collecting contract fees for compensated contracted use of land and compensated transfer of contracted use of land.

2) The lease system. Implement the collective or state lease system, reform the measures governing the distribution of rights of use of land, and introduce competition mechanism into the lease system by conducting open bidding. Allow peasants to possess the right of land use by paying rent to land owners. During the lease period, peasants can rent out, transfer, or inherit the right of land use.

3) The permanent tenancy system. Separate ownership and the right of use completely to give peasants a permanent right to land use under which they can inherit, rent out, or transfer land, so that the right of land use can be transferred just like land ownership, which will create incentives for land investment. To implement the permanent tenancy system under the collective ownership system means that the collective possesses the ownership of farmland and has the rights to adjust land rentals and interest rates; and that the peasant has the right to use farmland, and a tenant peasant has the priority to rent farmland above others and is allowed to adopt a policy of "maintaining the acreage of farmland despite population growth," single inheritance, and so forth. This is an effective way of preventing land from being divided endlessly. The permanent state tenancy system: Land belongs to the state and is not allowed to be sold and purchased nor transferred. The right of use of land belongs to peasants. After paying land rentals, peasants have the rights to profit from the use of the land and to transfer the right of land use.

4) Compensated transfer of right of use. On the basis of property rights being clearly defined, compensated transfers of right of land use, right to contract land, and right to rent a land are permitted. Also permitted is imposition of tax on land transfer to regulate the distribution of such nonlabor income.

5) The buying and selling of property rights. Allow the property rights of wasteland and uncultivated land to be transferred with pooled funds or payment by installments, under the macrosupervision of land laws and land taxation. This kind of transfer is allowed between groups, between the state and groups, and between groups and individuals.

6) The double farmland system. Divide land into fields for growing grain for the peasants' own consumption and responsibility fields. There are the following forms: First, the double farmland system on the basis of collective ownership. The fields for growing grain for the peasants' consumption will be distributed in accordance with population and will be divided in accordance with their crop yield. Basically peasants do not have to pay for the use of these fields and are required only to pay the agricultural taxes. The responsibility fields are divided by their yield,

can be contracted or transferred on a compensated basis, and are responsible for fulfilling the state's grain purchase quotas. Second, the double farmland system on the basis of the double ownership. The fields for growing grain for the peasants' consumption will exercise private ownership and will be distributed in accordance with the number of peasants. The size of these fields will be reduced to a level that the peasants can depend on them only for supporting their life, not becoming well-off. The responsibility fields will be subject to collective ownership and will be put up for bidding and contract. Third, the double farmland system on the basis of private ownership. When the fields for growing grain for the peasants' own consumption can belong to individuals, the peasants will not give these fields up. This way the area of the fields will be maintained stably and will not expand along with the growth of population. The economically developed areas will exercise private ownership over the responsibility fields, whereas in economically underdeveloped areas the permanent tenancy system will be practiced temporarily and gradually give way to the private ownership system as shifting of labor forces and peasants' input into agriculture increase. To effect the private ownership, we can auction the land and allow for payment by installments.

7) The mortgage system. People engaged in agricultural undertakings can employ the right of land use as a mortgage to obtain medium- or long-term loans for developing land. Agricultural households that cannot pay back loans on time will have their land auctioned, rented out, or transferred. A market on the right of use of land will thus be formed.

8) The share system. Land can be used as shares in setting up limited-liability companies by shareholders, which then will contract land to be managed by farming experts; with the dividend from land going to the shareholders. Farm households without the capability to manage the land may join the companies run by management experts. In this way the distribution is made according to both work and share.

#### **The Final Goal of Large-Scale Land Management Is To Raise the Rate of Land Utilization and Agricultural Output**

Land management on a large scale is beset with complicated changes in the fields of productivity and the relations of production. Right now, the contradiction between small-scale management in farming and the large market is becoming sharper and sharper with each passing day. Small-scale land management has prevented the essential factors of production from developing, thus increasing production costs and lowering productivity in farming. In economically developed regions, small-scale farming is generally regarded as a sideline, and in moderately developed regions agriculture is merely a means to provide peasants with enough food and clothes. It will never become a means to become well-to-do. Small-scale

land management has made agriculture even more dependent on other industries and has affected the development of the rural economy in a coordinated manner. Large-scale land management will help peasants increase their income and help promote specialization, accumulate more funds, make more investments in farming, and guide agriculture onto the road of bringing about self-sustained growth in our national economy. It will help improve land management and the production pattern. Some comrades have summarized the changes brought about by large-scale land management in an experimental farm as follows:

1. Peasants' income has increased. Such increase has become the third positive factor in arousing the enthusiasm of the peasants in farming since the implementation of the responsibility system and the increase of the state purchasing prices for farm products.

2. Peasants have increased their investments in farming, whipping up a high tide in the procurement of farm machinery and other means of production. Particularly, there is a distinct increase in investments from the major peasant households.

3. Income from land rent has become a source for fund accumulation. To administer large-scale land, we must have the necessary conditions and, at the same time, we must keep the farming season in mind. Some of the comrades list the conditions for large-scale land management as follows:

1. Nonfarming industries are well developed with a large number of peasants working in nonfarming fields.

2. Agricultural mechanization has been achieved to a certain extent, thus lowering production costs.

3. Funds are available, and a certain portion of the profits accumulated from various enterprises are used to assist crop farming.

4. There is a system for socialized service trades.

5. Peasants have changed their concepts and improved their qualities. They have some managerial and technical skills. It would be the best time to administer large-scale land management, when the benefit of large-scale farming plus the benefit reaped by using the profits accumulated from enterprises to assist crop farming equals the industrial benefit. If the former is larger, it means that the local industry is not well developed and that less farmers are working in nonfarming fields. Land remains the principal means for farmers to make a living. At that time, it is too early to administer large-scale land management. When the former is smaller, it means that the local industry is well developed and that more farmers are working in nonfarming fields. Land has already become a means of ensuring a living instead of a means to make a living. It will be too late to administer large-scale land management. Therefore, moderately

developed areas are better suited than economically well-developed areas such as Guangdong Province and southern Jiangsu to administer large-scale land management. There are also some people who have doubts over large-scale land management. They believe that comparative advantages in farming, the degree of farm mechanization, and technical innovations cannot be determined by the single factor of large-scale land management. Therefore, we must pay attention to working out the policy and attach importance to overall variance in an effort to increase our agricultural output and reserve strength in promoting agricultural development. We must not regard large-scale land management as the main point in changing the land system. Some people said, due to the irrational grain price and the lack of a product market, there is little incentive for the masses to choose the crop pattern and administer large-scale land management. Other people said, to administer large-scale land management will inevitably increase production costs because in doing so, we have to replace cheap manpower with expensive materialized labor. To administer large-scale land management will not necessarily increase benefits. It will even sharpen the series of contradictions created by the current prices of farm products at present.

Right now, we may develop a pattern for large-scale land management by administering dual-management, family management, management on a contractual basis, and collective management and allowing any peasant household to run farms, or permitting several peasants households to run farms, including specialized farms and collective farms.

To administer large-scale land management, we must build independent agriculture. Only by doing so can we effectively reap the benefits from such a practice. We should help peasants increase their income and accumulate more funds; and develop a mechanism to encourage peasants to raise funds and make investments themselves. We should increase prices for the procurement of grain crops, raise the level of industrialization in farming, mobilize all members of a family to engage in various trades, popularize farming techniques, raise per-mu yield, and put all farm machinery to full use.

#### **A Proposal To Develop the Land System From Now On**

After discussing the aforementioned issues in full, the seminar maintained: At the present stage, there should be no drastic changes in the system of land ownership. The emphasis in the development of the land system should be placed on our efforts to give peasants more decision-making power in carrying out farming on a contractual basis. We must promote various rental systems and various contract systems for the compensated use of land, while adhering to the system of collective ownership of land and the contracted responsibility system on the household basis with remuneration linked to output. The system of dividing the farmland into two categories may be implemented. The method of allowing



more peasants to cultivate the farmland without enlarging the area may be gradually introduced for the cultivation of land used to grow grain for the peasants' own consumption. Also, the system of allowing the only heir of a family to inherit the privilege in the use of land may be gradually implemented. It is necessary to divide the land into different grades and grant peasants households partial decision-making power to use land under a long-term lease. Efforts must be made to set a land market under the proper supervision by combining collective regulation with market regulation to achieve the goal of optimizing the distribution of the essential factors of production and of making the best use of land.

### Monthly Digest

OW2502015889 Beijing QIUSHI [SEEKING TRUTH]  
in Chinese No 12, 16 Dec 88 pp 35-36

[Text]

### Economics

#### Ways To Integrate Commodity Economy With Socialism

Lin Zili [2651 1311 0500] said in the article: In order to comprehend socialist commodity economy from a scientific viewpoint, it is necessary to, above all, understand the meaning of commodity economy and socialism.

There are three major stages in the development of commodity economy in the world: commercialization of products, commercialization of labor, and commercialization of property ownership and formation of macroeconomic functions. Commercialization of products is a small commodity economy. Commercialization of labor coexists with capitalism. In the third stage, that is, modern commodity economy, the income of different members of society is clearly reflected through the market and in the form of the price of labor and other factors as a result of socialized property that comes along with socialized production, thus creating the objective conditions for the formation of macroeconomic functions to regulate the income of different members of society for the regulation of economic relations and operations and the fulfillment of development strategy.

What is socialism? According to Marxist ideal formula, socialism means eliminating domination of labor by means of property, to effect the emancipation of labor, and to establish the production and distribution relations of equal pay for equal labor. Under this formula, equal pay for equal labor could be realized through direct distribution and exchange of labor without going through the market. Facts have amply proved that this is impossible in the absence of an objective criterion. Forced practice of this formula can only bring about the "iron rice bowl," make "everyone eat from the same big pot," forsake efficiency and genuine equality, and lead to socialism of shortages or poverty, which in fact is not socialism. However, this does not mean that equal pay for equal labor is a utopian idea. On the basis of modern

commodity economy, we may effect equal pay for equal labor, or equal exchange of labor, by applying the yardstick and mechanism of the market and relying on macroeconomic functions to achieve indirect, relative, and efficient unity between equal pay and equal labor. This is what socialist commodity economy means. It is a new system that embodies both the socialist principle of equality and high efficiency of commodity economy. In this way, the modern commodity economy is integrated with socialism.

(Excerpted by Chuang Jiang [1557 3068] from the 1988 issue No 21 of XIN GUAN CHA [2450 6034 1390] NEW OBSERVATION)

#### Straighten Out Several One-Sided Views in the Current Development of Productive Forces

1. There is a view that heeds only output value and profit while neglecting the growth of various factors of productivity. Quite a few comrades hold that they will have a sense of accomplishment in front of their leaders and the masses so long as the Arabic numerals of output value increase year after year, and that work in other areas is only secondary. Such a view leads to an erroneous tendency of seeking an inappropriately high output value and profit while neglecting work in other fields. Serious efforts should be made to correct this tendency.

2. Paying attention to only the material, but not the human factors in productivity, some enterprises continue to use their labor force while ignoring its training, just like "keeping the horse running without feeding it." In the long run, such a practice will undermine the quality of the labor force and ultimately impede the expansion of productivity.

3. There is another view that attaches importance only to the "hard," but not the "soft," factors in productivity. With the continuous development of commodity economy, the "soft" factors are more and more important, and have become "intangible" assets and wealth. However, neglect of the "soft" factors in production has brought about widespread problems of backward management, out-of-date information, and low credit that have obstructed the economic development.

4. There is still another view that heeds only the microscopic development of productive forces while neglecting their macroscopic development. It is necessary to take, as the criterion, whether the development of productive forces is conducive to the overall situation.

5. Paying attention only to the immediate expansion of productive forces without a long-range plan for their development, some cadres have focused attention on increased production during their tenure in the absence

of a long-range plan, considering only short-term interests while being unwilling to expand reproduction. Such "short-term behavior" is incompatible with the objective demand of the expansion of productivity and must be rectified.

(Excerpted by Fang Ming [2455 2494] from the article by Chen Lianqing [7115 6647 3237] in the 1988 issue No 22 of NEIBU WENGAO [0355 6752 2429 4473] INTERNAL MANUSCRIPTS)

#### A Method for Analyzing Inflation

Fan Gang [2868 4854] said in the article that Western economists' analysis of inflation may shed the following light on methodology: First, we should use abstract concepts to analyze and generalize, in concrete terms, new economic phenomena. This implies the meaning in two aspects: On the one hand, we should continuously develop and refine theories in accordance with realistic economic development and changes. Take, for example, factors for predicting inflation formulated after the 1960's. Since the old theory on inflation obviously cannot interpret new phenomena, we need to summarize them with a new theory. On the other hand, we should attach importance to the study of abstract theory and guide our policy with the theory. To curb inflation is a matter of great practical and political meaning. The greater practical and political meaning the matter implies, the more it is necessary to base the policy and practice on an abstract theoretical formula and ample theoretical foundations. Second, we should attach importance to the study of special economic mechanisms and the law of their operations. As far as inflation is concerned, the so-called "demand pulling," "cost pushing," and "demand transfer" are rather common interpretations. They describe only some phenomena but cannot explain in-depth relationships of cause and effect hidden behind these phenomena. Theoretically what is really important is not to determine whether it is a demand-pull inflation or cost-push inflation, but to determine specific causes and operational mechanisms of the demand or the cost that pulls or pushes inflation, how this is done, and so on. Third, we should apply quantitative method in a scientific manner under the guidance of theoretical formula. Quantitative method is an important tool of modern economics, especially modern macroscopic analysis, as well as a bridge between theory and practical data. However, quantitative analysis cannot replace theoretical study and will not produce any reliable theoretical conclusion. On the contrary, without theoretical guidance, quantitative analysis cannot explain any concrete problem. For example, to decide, between inflation rate, or the increase rate of currency issued, and economic growth rate, as to which is the cause and which is the effect, it is necessary to first find a theoretical explanation. A simple regression analysis of the two may give both as the cause or the effect. This is the famous "question of indifference in the result of observation."

(Excerpted by Hao Si [3185 1835] from the 1988 issue No 11 of JINGJIXUE DONGTAI [4842 3444 1331 0520 1966] TRENDS OF ECONOMICS)

#### Political Theory

##### Legal Transplant—An Inevitable Process of Developing Commodity Economy

Gao Fan [7559 1581] and Wang Yongqing [3076 3057 3237] said in the article: Human civilization based on the commodity economy is a product of man drawing lessons from and having influence upon each other. In the process of economic development and modernization in modern and contemporary times, many countries have inevitably chosen to assimilate and transplant foreign legal systems on an extensive scale. The price that China has already paid for neglecting the transplant of laws over a long period of time should and must become a sobering stimulant for us to establish a policy of comprehensive reform. As far as legal construction is concerned, it is necessary to transplant mature foreign laws and regulations suitable for the development of commodity economy and to transform our relevant legal mechanisms in accordance with the demands for developing the commodity economy. The transplant and assimilation of foreign laws is not simply a matter of broadening the scope of laws in social relations and enhancing the standardization of social life, it also implies the injection of new cultures and concepts.

In order to effectively transplant foreign laws to China, it is necessary to understand two preconditions: First, it is necessary to understand whether capitalist laws can be transplanted to China. As far as this precondition is concerned, we must bear the following three points in mind: 1) rules for ensuring the normal operations of commodity economy should be applicable to all countries with different social systems; 2) there should be no fixed formula for the socialist system; and 3) civilization is originally a product of men drawing lessons from each other in the course of evolution, and therefore human civilization should not be differentiated from the so-called class or institutional viewpoints. Second, it is necessary to understand the relationship between foreign law transplant and the national character of laws. Any effort to transplant a foreign law will be challenged by the national character of laws. However, to penetrate or substitute indigenous laws with foreign laws does not mean that they will impose a threat to the national character of our laws. The process of transplanting and assimilating foreign laws is one of remolding the history of the nation, during which the national quintessence will not be endangered.

(Excerpted by Li [2621] from the 31 October 1988 SHIJIE JINGJI DAobao)

## Culture

### Study Enterprise Culture, Advocate New Code of Conduct

The concept of "enterprise culture" originated in Japan. In developing the economy and founding enterprises from the ruins of World War II, Japanese entrepreneurs imported a complete set of science and technology and strict management and control measures from the West while absorbing the quintessence of China's Confucian culture in the light of Japanese national characteristics and so establishing a value system centered around loyalty and honesty. Such a mode of enterprise culture that integrates occidental rationalism with oriental intelligence has instilled into Japanese enterprises a strong external adaptability and internal cohesive force. This enterprise culture played an important role in Japan's economic take-off in the 2 or 3 decades after World War II.

Japan's rapid rise to an economic power has attracted universal attention in the West. Especially scholars and businessmen in the United States, where modern management sciences originated, have conducted extensive exploration of the managerial methods of Japanese enterprises. Since the early 1980's, the study of enterprise culture has been in vogue in the United States.

The advent of the theory on enterprise culture was marked by a number of books published in the 1980's, including such representative works as *Enterprise Culture*, *U.S. Enterprise Spirit*, and *Culture of Organization*. In these books, the authors invariably endeavor to explain, discuss, analyze, determine, and suggest ways and means to mold and update enterprise culture. The books share a common characteristic in that they all base their standpoint on how to control the old habits that have hindered the development of U.S. enterprises but have not been identified easily for a long time, such as the rigid managerial system, lack of personal exchanges, confrontation between workers and enterprises, and absence of the awareness of democratic participation on the part of managerial personnel. Enlightened by the success of Japanese enterprises, the U.S. scholars agree that these old habits can be eradicated only through revolutionizing the concept of value. Hence, the outlook on value becomes the nucleus of enterprise culture, and different outlooks on value and the combination of different value systems have formed the enterprise culture of all shades.

In an effort to form a new set of mores and code of conduct, the theory on enterprise culture stresses the importance of concept and conviction, and seeks an enterprise operational formula that combines both strict and lax measures and is imbued with democracy, harmony, and high morale for further promoting productivity.

(Excerpted by Bo Rong [2672 2827] from the article by Geng Tiajun [5105 6993 6511] in the 29 October 1988 JINGJI RIBAO)

### Speculate Less on the Distinction of Features but More on the Practical Value—Reading *An Analysis of China's Macroeconomy*

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[Article by Dong Huanliang 5516 3562 0081 of RENMIN RIBAO]

[Text] The book *An Analysis of China's Macroeconomy* (published by RENMIN RIBAO, hereafter referred to as "Analysis"), which I read recently, has something fresh and new to offer. Based on a large collection of statistic data and employing the method of combining qualitative analysis with quantitative analysis, Zhang Fengbo [1728 7364 3134], a person in the prime of his youth and with a doctorate in economics, has made a positive analysis of China's macroeconomy with regard to its structure, operations mechanism, the law governing its change, and the policy for its development. The book, which gives expression to the principle that economic research should serve economic reform and economic construction, has practical use in addition to its effect as an impetus to making policy decisions on economy a scientific process. "Analysis" was awarded the 1987 "China Book Prize." I think it surely deserves the prize.

Einstein held that one of the prerequisites for a breakthrough by theoretical research is a breakthrough in the method of research. By the same token, to modernize the science of economics, it is also necessary to blaze new trails in terms of the method of research. For a relatively long period of time, people in China's theory circles have been using more qualitative analysis, and very rarely quantitative analysis, in studying actual economic problems. They have not used quantitative analysis as the basis for qualitative analysis. As a consequence, there has been some kind of subjective willfulness in theoretical research. In the book "Analysis," the author has overcome this weak link in theoretical research. He has adopted the method of positive analysis—including historical analysis, structural analysis, quantitative analysis, and international comparison—to offer his own original views about some of the problems over which people in the economic theory circles have ceaselessly argued among themselves for a long time. He has thus provided us with useful inspiration to attain a clear understanding of the pressing problems facing us in carrying out reform and construction.

1. The question of property rights. One knotty problem socialist countries have in carrying out economic reform and economic construction is the universal lack of a self-restraint mechanism for the various localities, departments and enterprises, which manifests itself in a hunger for investment and hunger for consumption. This makes it difficult for them to make big strides in price



reform, causing economic construction always to rock and roll to the tune of "development-adjustment-development." It is noted in the "Analysis" that in China, "the capital of investments made in the various enterprises has for a long time come mainly in the form of state appropriation. Even if it comes in the form of a bank loan, the repayment of the principal and interest is ultimately made by the state." The unclearly defined relations of property rights and the fact that the state is the principal investor have made the various localities, departments, and enterprises wish to expand construction on as large a scale as possible. Statistics cited by "Analysis" show that in 1983-1985 the total investment made by the entire society in fixed assets alone reached 136.906 billion, 183.287 billion and 254.319 billion yuan respectively. This compares with the aggregate total of national income of 142.1, 176.6, and 245.3 billion yuan respectively. When expenditure exceeds income, a deficit is bound to occur and inflation will "snowball" more and more.

Consumption has also increased continuously. It is noted in "Analysis" that "China's situation of employment for its workers is stable and it is impossible to make personnel reduction at will, even though it is suggested on the basis of the production situation. Therefore, a wage increase and price stabilization have become an outstanding pair of contradictions in our economic life." In the 16 years from 1952 to 1968, the per capita wage for workers of enterprises under the ownership of the whole people increased only 175 yuan, or 39.24 percent. In the 15 years between 1970 and 1985, it increased 539 yuan, or 88.51 percent. Also, because there is a positive interrelationship between wages and prices, if wages are increased too quickly, it is bound to cause prices to rise by a large margin. If left uncontrolled, the two would continue to increase alternately and make economic life tense.

To eliminate both the hunger for investment and for consumption, it is necessary to inject a self-restraint mechanism into economic operations. This is an important topic for us in carrying out reform in depth. In the case of enterprises, this means they should, on the basis of perfecting the contracted responsibility system, develop in the direction of the joint-stock system. China's state enterprises cannot become privatized. Nevertheless, it is an idea to more clearly define property rights where they have not been clearly defined or defined only in generalized terms and to shift the role of the principal investor so that the various localities, departments, and enterprises will shoulder responsibility for their investments.

2. The question of the market. The general goal of economic structural reform in China is to develop a new mechanism of economic operation under which "the state will regulate the market, and the market will guide enterprises." "The market will guide enterprises" means that fluctuations in prices caused by changes in market supply and demand will signal enterprises to produce goods in short supply and drop production of goods already in full supply. This is the key to the reasonable readjustment of the production structure and product mix.

However, the present market mechanism is very inadequate, as shown by deficiencies in the market for the elements of production, and by the considerable chaos in the commodity market. Under these circumstances, prices of the important means of production and durable consumer goods in short supply go up, but enterprises could not, at least for the time being, acquire the funds, labor, technology, information, real estate, and other elements of production needed to expand production or switch to other lines of production. On top of this, companies which are at once government agencies and enterprises, and which are at once bureaucratic departments and business concerns, have resorted to profiteering or hoarding, thereby triggering sharp rises in prices. These are too much for enterprises to cope with; hence, laxity in production and an acute contradiction between supply and demand exist.

Precisely because the market still could not effectively and promptly guide enterprises, every few years it became necessary to use administrative means to readjust the production structure either by the "soft approach" or the "hard approach." No matter which approach was used, the policy was always to tighten up. As noted in "Analysis," when implementing the policy of tightening up in the past, because of the "lack of an economic mechanism for the market to automatically readjust its structure, it was imperative to use administrative means to directly intervene in economic activities. To a certain extent, this restricted modernized facilities under construction as well as the development of projects with advanced production capabilities, while offering protection for the traditional old enterprises with low production levels and backward technologies." Obviously, this policy of tightening up was a stopgap measure. The permanent cure should be to establish and cultivate a socialist market system, and, through constant and instantaneous adjustments of the market, discard the dross and select essential produce goods in short supply, drop production of goods already in full supply, and achieve the goal of improving the economic structure and the production structure.

3. The question of inflation. Fighting inflation is a global problem. The problem has attracted increasing attention in China in recent years, and has become a major part of our task to improve the economic environment.

The current inflation is the result of increasing monetary issue in the last few years. The "Analysis" indicates that China's economy has developed rapidly in recent years, the scale of construction has expanded, and monetary issue has increased sharply. China's monetary issue in 1984, 1985, and 1986 increased by 26.233 billion yuan, 19.572 billion yuan, and 23.053 billion yuan respectively. Quantitative analysis shows that price increases

ultimately result from monetary issue, and that there is a period of delay between monetary issue and price increases. An increase in currency circulation and cash supply by banks, after 8 and 9 months respectively, push prices to their heights. This fact tells us that, after monetary supply is put under tight control, a certain length of time is needed for price increases to slow down.

The "Analysis" pointed out that the most important factor that has contributed to increasing monetary supply in recent years is the increase in loans. With the exception of 1983, the amount of loans in each year from 1980 to 1986 was higher than the amount of deposits in that year, leading to the increase in currency circulation. Especially in 1984, 1985, and 1986, the net increase in loans amounted to 35.932 billion yuan, 31.54 billion yuan, and 57.605 billion yuan respectively, making them the most important cause of increase in monetary supply in those 3 years. Therefore, the key to curbing inflation is to tighten credit. The quickest and most effective way to do this is to cut some fixed asset investments. How do we cut these fixed asset investments? Because of the need to maintain a certain production growth, the main investments we should eliminate are those nonproductive investments that may be made at a later date. In recent years, the construction standards of office buildings, auditoriums, and guesthouses have been raised steadily. As a result, nonproductive investments have accounted for about 40 percent of the total amount of fixed asset investments. Construction sites are seen everywhere across the country, creating an unbearable pressure on financial, material, and manpower resources. Therefore, only by reducing nonproductive investments can we alleviate the pressure of inflation.

4. The question of production speed and economic results. The original definition of economic results is the ratio of output to input. The more output with less input, the better the economic results. On the contrary, more input with less output means low economic results. However, for some reason, economic results have come to be defined as the amount of output regardless of the amount of input. Profits made by an enterprise and profits or taxes delivered by an enterprise to the government as we usually see in newspapers actually refer to the output value of an enterprise. In fact, output value has become a criterion for judging the economic results of a locality, department, or enterprise. The "Analysis" pointed out: "Because profits and taxes are taken in proportion to an enterprise's output value, of course they increase or decrease in proportion to an enterprise's output value. Also, the growth of both are the same." Using this method to evaluate economic results, no wonder localities and departments want to concentrate on increasing output value. As a result, localities and departments naturally have given primary consideration to increasing output value instead of to improving economic results.

Therefore, it would be more scientific to use the "portion of output value, or profits and taxes, in the capital" as the criterion for evaluating economic efficiency. As

pointed out in the "Analysis," "on the condition that output value must be increased, the more human and material labor that is put into production, the greater economic efficiency it can yield; where the production capacity is fixed, the more products and social services that are turned out, the faster the economic growth rate and the better the economic efficiency we can achieve." This criterion for evaluating economic efficiency can prevent pursuing an unjustifiably high growth rate, stimulate enterprises' ability to assimilate, and create more wealth for society, thereby providing concrete conditions for price reform.

5. The question of foreign trade. There was a suggestion in newspapers a few years ago, calling for "increasing foreign trade volume 16 times [fan si fan 5064 0934 3972] when the gross industrial and agricultural output value is quadrupled [fan liang fan 5064 0357 3972]." Today this suggestion appears rather ill-conceived. In view of China's basic national conditions—a large population and relatively scarce resources—many materials surely will be in short supply in the domestic market for a long time to come. It certainly is not a good idea to export an unreasonably large amount of material, which can only aggravate the short supply and force units and individual consumers in the country to "tighten the belt."

The "Analysis" gives a list representing the dependency on foreign trade by various countries (using 1983 statistics) and cites the portion of total trade volume in the Gross National Product as 14.36 percent for the United States, 10.22 percent for the Soviet Union, and 11.91 percent for India, which is far lower than 23.09 percent for Japan, 52.58 percent for the Federal Republic of Germany, 44.11 percent for Britain, and 41.49 percent for France. These figures reflect the marked differences in the dependency on foreign trade between large and small countries. China is a large country whose total foreign trade volume has constituted a fairly large portion of the 14 percent Gross National Product in recent years. It is necessary to clarify here that China should neither close itself to the outside world nor base its economy on foreign trade, and that it can only gradually expand its export and import trade along with the development of production.

Special attention must be paid to the fact that the improvement of economic efficiency is more pressing in foreign trade than in any other department because we should not give other countries materials which are in short supply in our domestic market. It is necessary to ensure a steady and suitable growth of foreign trade through upgrading technology, raising productivity, lowering production costs to make our goods more competitive, and improving the export trade mix.

Over the past decade, a number of outstanding theses imbued with wisdom to run the country and benefit the people have been published in economic theoretical circles and have played an important role in national

economic life. However, there are also some alarming phenomena. In my opinion, the following two phenomena merit particular attention:

One phenomenon is that a considerable number of economic theses are intended for debate, which, according to some people, is not genuine theoretical economics, but a form of "reform philosophy." This is a rather sarcastic but well-founded remark. Take, for example, "planned commodity economy." Some economic theorists have engaged in an endless debate on whether "planned" is a restrictive or modifying attribute. In fact, judging from the process of economic development in general, the socialist economy is a commodity economy; but from a given economic ideology, the socialist commodity economy is based on public ownership and, therefore, is planned and controlled. Such word-juggling over an easy-to-understand concept is not conducive but detrimental to practical work.

The other phenomenon is reflected in a considerable number of theses on economics which have mechanically used and copied foreign publications on economics as references, regardless of differences in national conditions. For example, there was a time when quite a few people believed that, based on the Keynesian theory on short-term static balance, the inflation policy might stimulate China's economic growth. Such advocates of the "theory on the benefit of inflation" ignored the historical conditions of the Keynesian theory while being oblivious to China's inadequate market system. Since China's decentralized solid production elements cannot be turned into powerful productive forces within a short time, and the macroeconomic control system is still rather ineffective, the inflation policy can only aggravate shortages of materials, drastically drive up prices, and create social and economic confusion. This practice of blindly copying foreign treatises without giving a thought to the reality in China also should not be taken as authoritative.

We may as well say that of all the sciences, economics is the most closely linked to China's economic construction and reform. The era of reform demands that our theorists should also reform their thinking methods, eliminating all forms of dogmatism to let the flowers of theory bear fruit on tangible soil. As reform enters a critical period, people on the economic and other fronts are anxiously awaiting the publication of valuable, high quality works on economics, which can provide answers and guidance to solving various problems. In this sense, the publication of "Analysis" is very gratifying.

**Thoughts Related to 'Poetry Inspires'**  
OW2502015889 Beijing QIUSHI [SEEKING TRUTH]  
in Chinese No 12, 16 Dec 88 pp 40-41

[Article by Teng Yun 3326 0061]

[Text] "The master said: My children, why do you not study poetry? The odes inspire and are good for observation, sociability, and airing grievances." This is a

quotation from the Analects. Scholars of later generations called this the Confucian School's theory on poetry. Quite a few people nowadays, however, regard it as wornout, pedantic dogma. Naturally, in regard to obsolete authority or outdated pills or plasters, people might as well kick them away even as they are thousands of years old. Before doing that, however, they might also as well take one more look at the things they are going to discard.

Since the dead cannot bear witness, there is no way for us to know what Confucius had in mind when he made this remark, so we may as well leave this question alone. Scholars of later generations offered innumerable annotations to the words "inspires," "observation," "sociability," and "grievances," and argued endlessly over their meanings. Here we can leave them alone since it is not the purpose of this article. On the whole, scholars agree that "inspires" means "arousing and expressing one's aspirations" (Zhu Xi's annotation); "observation" means "observing the rise and decline of customs" (Zheng Xuan's annotation) or "examining the merits or demerits" (Zhu Xi's annotation); "sociability" means "gathering together and learning from one another by exchanging views" (Kong Anguo's annotation); and "grievances" means "criticizing the policies" (Kong Anguo's annotation). All these annotations emphasize literature's social functions. In my opinion, there is something in Confucius' remark that goes beyond a particular school (Confucianism) or a particular realm (classic literature); there is something in that remark that belongs to the realm of common academic theory and is universally applicable then and now. We can abandon outdated things that belong to a particular school or a particular sphere; we should not, however, repudiate indiscriminately things that belong to the realm of common academic theory and are universally applicable and relevant today. If planted in the new soil of today, those ancient lotus seeds may still grow into lotus.

Today, cultural and academic circles are all talking about the sense of sorrow. People end up being sorrowful whether they are reflecting on history or observing reality; are pondering the numerous problems in life, the state of human existence, or the deviation of human nature in a commodity society; or are considering the awkward situation of cultural undertakings and culture itself. Sorrow is quite a widespread cultural mindset today. A sense of sorrow generates a literature of sorrow. Some avant-garde works of literature, indifferent to reality as they are, are, in essence, a literature of sorrow. Many non-fiction works (mainly reportage) depict this or that sector of society or this or that social problem; they are a record of social problems and social sorrows. Sorrow is a similar kind of awakening, to look at life with open eyes. Only those who have a sense of responsibility for society and for themselves will feel sorrow. Those who do not feel a need to banish sorrow will not feel, nor have an urge to express sorrow. The sense of sorrow and the literature of sorrow reflect today's reality; they also reflect people's aspiration for and their attitude toward



reform. Literary works that express sorrow and stop at that are examples that "poetry is good for observation and airing grievances." Although literature that expresses sorrow and stops at that can awaken people to reality and portray their pent-up sorrows, they may not necessarily be able to attain the higher plane on which "poetry inspires and is good for sociability." A literature of sorrow that lacks the guidance of ideals, a sense of goals, or the spirit of struggle but instead indulges solely in sorrow will make people feel discouraged, at a loss as to what to do, disheartened, impotent, and callous. It will even lead them to the attitude of "who gives a damn about affairs of state." Consequently, all will be bent on getting benefits from "short-term utilitarian behavior" and care only about their own interest. In the past, the Chinese were said to be a sheet of loose sand. Such a state of disunity had many people of lofty ideals worried. Only after turning loose sand into heavy clay soil (piling up grains of sand to make a tower will not do) will it be possible for a large tree of reform to grow on it. "Poetry is good for sociability." Literature of sorrow should not turn the Chinese people again into a sheet of loose sand. Instead, it should unite the people, turn them into heavy clay soil, and unite them as one in support of the cause of reform. "Poetry inspires." Literature of sorrow should not load the Chinese people year round with anxieties and make them feel that their future is bleak. Instead, it should stir up people "in spite of their sorrows," "arouse their aspirations," and inspire them to work hard. Otherwise, literature of sorrow will really bring people sorrow.

In my opinion, it stands to reason to put "inspiring" ahead of "observation," "sociability," and "grievances." In explaining the relationships between "inspiring," "observation," "sociability," and "grievances," Wang Fuzhi of the Qing Dynasty wrote in "On Poetry": "If one is inspired by what he observes, then his inspiration is profound. He must observe carefully so that his inspiration is well-founded. The grievances shared by many are grievances that are unforgettable; the grievances that bond people together are real grievances." My understanding of those remarks is as follows: "Inspiring" (arousing and expressing one's inspirations) should not mean hollow or abstract ideas, proud words which please the ears, or feign enthusiasm; the "inspiration" must have practical value, is based on reality, has practical significance, and can arouse genuine enthusiasm. Such an "inspiration" then is not shallow but solid and profound. "Observations" should not be a mere record of objective events that is satisfied at bringing out into the open problems in life and society, but rather "observations" that arouse the readers and make them rise with force and spirit are insightful and valuable observations. "Sociability" should be integrated with "grievances"; the grievances should not be the grievances of an individual or a few people, but should be the grievances of many. The "grievances" are not the "make-believe sorrow of the poet who was trying to compose some sentimental verses," which may touch the readers for a short while but fails to reach deeper into the reality or

implant the ideas of reform in their minds. Exactly because the sorrows portrayed are the sorrows of the public, not the petite pessimistic feelings poets love to write about, they can strike a sympathetic cord among the public. This kind of literature will establish a genuine and firm spiritual bridge with and among the public. Owing to the limitations of the times and his personal knowledge and experiences, Wang Fuzhi failed to dwell on the relationships between "sociability" on one hand and "grievances" and "inspiring" on the other. As a matter of fact, "grievances" without "inspiration" will only stay at the level of venting an individual's or collective's grievances, resentments, or feelings of impotence. They will never be able to inspire people. By the same token, without "poetic inspiration," there will be no "poetic sociability." Only literature which concerns itself with the people's grievances and feelings and brings up their morale and spirit is literature "good for sociability." It is very clear: If a poem is not inspiring, it will be not any good in terms of observation, sociability, and grievances. "Inspiring" should not only be the first of the four, it must also be the core and soul of the other three.

In a time of deepening reforms and great social changes, we need a sense of sorrow and a literature of sorrow. We hope that literature will give us more sobriety to firm our determination for reform. We need literature that inspires even more. We hope that literature will give us more aspiration to firm up our confidence in reform. The ultimate objective of "poetry" is not airing grievances. The objective of literatures goes beyond expressing sorrows.

"My children, why do you not study poetry?"

Whether we will study "poetry" or literature depends on what they have given us and what they will give us.

#### **Song of the Pioneers—Reading Zhou Gang's Report 'A Pillar in the Western Paradise'**

OW2502015889 Beijing QIUSHI [SEEKING TRUTH]  
in Chinese No 12, 16 Dec 88 pp 41-42

[Article by Zhang Jiong 1728 3518]

[Text] Poet Zhou Gang's [0719 4854] long report "A Pillar in the Western Paradise" was published in Volume VIII of *Modern Writers* this year. It cites specific instances depicting the arduous endeavors of the Sichuan Construction Corporation to launch its undertakings since the advent of the new period, its emancipation of minds, and its sustained pioneering process and splendid successes achieved so far; it thus composes a touching song in praise of the construction workers and pioneers. Though, when compared with the substantial reportage which has just emerged in recent years and deals mainly with exposing social problems, "A Pillar in the Western Paradise" abounds with illustrations of issues and problems encountered in the course of progress. The writer obviously concentrates his efforts on delineating the pioneers and construction workers

who promote the progress of reform and in composing a song praising their achievements with exuberant enthusiasm. The entire work skillfully combines the realities of daily life with philosophical comments and gives them a poetic expression. As a result it becomes a work of unique literary style, rich and profoundly thought provoking.

The reform in our country is now in a crucial stage. It is an important task for the whole ideological front to squarely face existing issues and take full stock of our achievements in reviewing the progress of socialist reform since the new period, so as to enable all Chinese people to face the future with full confidence. With a style that combines both journalism and literature, this type of reportage has tremendous potential for giving full play to its peculiar advantages in this respect. The readers of such works need to understand not only the causes of various issues cropping up in the course of reform, but also the successes that we have already achieved in all fields of endeavor. Works that meet this need are absolutely necessary for the purpose of inspiring national self-confidence. Through its depiction of various characters and their pioneering activities from historical perspectives, "A Pillar in the Western Paradise" presents the arduous endeavors and heartening progress made by the Sichuan Construction Corporation, together with its branch offices, in breaking with the "basin consciousness," leaving Sichuan to explore business possibilities in Shenzhen, Shanghai, other coastal areas in China, the Middle East, West Africa, and the United States, venturing into overseas markets, and establishing a great multi-national undertaking. In the face of the writer's vivid depiction of characters and scenes, the readers, indeed, cannot help feeling themselves uplifted and cannot help thumping the table and shouting "bravo!" for those pioneers who fight in the forward positions of reform and the four modernizations.

People may have a panoramic view of a series of pioneers here; each of them has his own peculiar personality—like Ma Shitu, forerunner of the construction undertaking in Sichuan, who is noted for his pioneering spirit and organized a team of construction workers during the early period after the founding of the People's Republic of China (he later became a writer and the chairman of the Sichuan Provincial Federation of Literary and Art Circles and the Sichuan Provincial Writers' Association); leading comrades He Haoju, Du Hengchan, and Peng Bin, who contributed to making the contingent of Sichuan's construction workers enter the Middle East and West Africa and who had once fought in the forefront before gradually retreating to the second line; Wang Tianqing, Shi Yuanjie, and Zhang Daoping, who led a team of construction workers to erect the Iraqi Central Bank Building of "British standard" and "the first-rate European level"; Xie Shoumo, general manager of the corporation, who is adept at "delegating power to subordinates"; Liu Danling, secretary of the party committee of the corporation, who is "modest, likes to study, and never tires of making progress"; Zhang Daifu and Hu Zhijian, who ventured into Shenzhen to set up the Xihua Enterprise Company there; the nine "old chiefs" by the name of Lee and the twelve "Mrs. Thatchers"; and

so forth. Though their delineations are only brief literary sketches, they leave a deep impression on the readers. All these characters were fond of deeds rather than empty words. They worked hard at their respective positions in a down-to-earth manner, with iron wills and indomitable spirit. It was under their leadership that this construction corporation, which originally cloistered itself in a basin, grew, expanded, and branched out to lead the construction industry on the vast soil of China, like a snake transformed into a dragon. Furthermore, it crossed the seven seas to score one miraculous achievement after another. The pioneering spirit, which is extremely valuable in our times, is embodied in these characters. They continue to explore new space for thought, existence, and production.

Because this work deals with a variety of subjects, complicated events, and a multitude of characters, it is not easy to organize its structure properly. More often than not, due to the fact that writers of these works are busy explaining issues and relationships between sequences of events, scenes, and characters, or due to the fact that their subjects and material are so interwoven that editing is inadequately executed, or due to both factors, they fail to pay proper attention to the art form and the expression of language, thereby reducing the literary flavor of their works. Compared to typical examples, "A Pillar in the Western Paradise" shows that the writer has paid more attention to rewriting and editing, trying hard to grasp a view of life from a framework of reason, being careful about delineating the personalities of characters and vivid details, paying attention to exploring the overall viewpoint and poetic embodiment of life, and striving to use language concisely and beautifully. As a result, many passages are polished like resplendent pearls, which are a joy to the eyes and minds of readers. Moreover, the work brims between the lines with intensely impassioned feeling, which strongly affects the reader. Because the writer is a poet, he introduces poetry into this work. The result is that "A Pillar in the Western Paradise" exudes distinctly fresh and artistic characteristics, integrating strength and vigor with clarity, beauty, and meaning and possessing a peculiar artistic charm. Of course, if the material had been refined a little more and trimmed a little shorter, its artistic effect perhaps would have been better.

"A Pillar in the Western Paradise" and a number of other good literary works made their appearances following solicitation by the ZHONGGUO CHAO [Tide in China]. They show that the solicitation for literary works is, indeed, very necessary because it serves as a motive force impelling the broad masses of writers to have a firm grasp of and feel the pulse of history from a new point of view, listen to the heart sounds of the times, and express the issues of common concern to the broad masses of the people. It also reflects the majestic posture

of China marching forward along the combat course of reform, open policy, and four modernizations. If we say that literature is a mirror of the times, I believe that reportage should be such a mirror for more reasons than other forms of literature. I hope that there will be more works like "A Pillar in the Western Paradise" emerging in large numbers, so as to make the current upsurge of creative writing, which is offering one climax after another, help people understand reality in a more comprehensive and profound way and achieve more spiritual sublimation and inspiration.

### **Crawling Shrimp**

OW2502015889 Beijing QIUSHI [SEEKING TRUTH]  
in Chinese No 12, 16 Dec 88 pp 42-43

[A "Jinshitan Cup" Prize-Winning Article by Zhou Keyong 0719 0344 1661—author's work unit: Taiyuan City Party School in Shanxi]

[Text] After holding the letter from Penglai County of Shandong for a while, I realized that I just could not figure out who the sender was. I opened it up, and there were only two sentences in it: "I came across a fisherman who was selling dried crawling shrimp, which reminded me of you. I am sending you a bag of the shrimp as a comfort to you for being far away from the sea." The letter signed: your fellow student, Paxia [crawling shrimp].

Crawling shrimp! Crawling-shrimp Liu sending me crawling shrimp. Really....

This spring I attended the Chinese and Western cultures study classes in Beijing. The classes took place in a reception center situated at the foot of the Xian Shan. The students came from all over the country, about a hundred in total; whether tall, short, plump, or slender, whether speaking with northern or southern accents, all of them were high spirited and showed their distinctive characteristics. They had only one thing in common: They all looked a bit "academic." Just take a look at the six-bed room next door, where one could find that all its five occupants wore glasses.

Two days after classes started, the empty bed was also occupied, by a tall, sturdy, and dark fellow from Shandong. Compared with the others, this fellow student had very distinctive looks and conduct: He had thick lips and protruding ears; he wore an army coat which showed signs of wear, and a pair of square-toed shoes; his hands were extraordinarily big with distinct knuckles. He had such an appetite that he must have six steamed buns and twice as many dishes at every meal. He never ate with other students at the dining table. He preferred to sit on a long stool by himself in a horse-riding posture and quickly wolf down his meal. He would finish his meal in a blink of an eye; and then stand up as he wiped his mouth and took his thermos bottle to get hot water. He attended every course whether in the morning, afternoon, or evening, be it a lecturer's course or just a

videotape-playing subsidiary course. Once a lecturer's heavy Hunan accent forced most of the students to withdraw from the classroom. On my way out, I saw him sit upright in one corner, leaning his head forward with an attentive look and, at the same time, carefully taking notes in a small book. He loved to listen to the talks and to discussion by other students. Every night, a number of students, always divided into the two major groups of "China" and "the West," gathered in the next room to discuss earnestly the issue of "the way out for Chinese culture." Sometimes the discussion became so emotionally charged that even a professor-student lost his calmness and got red in the face from the excitement. At times like this, old Liu always got excited like the rest of them, but he never jumped into the fray. All he did was fill the cups with tea for everyone and run back and forth between the room and the boiler room for hot water.

It was later from the "students directory" printed by the study classes that we were surprised to find out that old Liu, at just a little over forty, was not old at all. What was more surprising was that, contrary to our expectations, this was a wealthy guy who paid his own classroom fees. He was the owner of a carpentry shop, a rural resident, and a private upstanding businessman. The discovery caused a sudden uproar among the students and many felt they had been taken in. "Study classes," indeed! With money, even an ass could be allowed to take the course! It was such an insult and disgrace to common courtesy to allow a professor and a carpenter to study on an equal footing and call each other fellow students. Understandably, the nightly discussion changed place. Clearly aware of his position, old Liu simply lay in bed every night after the subsidiary courses and engrossed himself in that dog-eared book of his, *Ancient Chinese Architecture*.

One day I went to the next room for a chat, and I saw that a student from Shanghai was calculating the prices of the two bundles of books he had just bought and which were now lying all over his bed. Like other students surrounding the bed admiring those books, old Liu also watched for a while, from outside the circle. Finally he came up and took out a pocket-size calculator from his pocket, and, then, carefully picked up a book. The Shanghai fellow, while reaching out for the calculator and snapping the book from old Liu at the same time, asked, "On System, do you know what the book is about?" Blinking his eyes, old Liu answered, "No." The Shanghai fellow continued, "Do you miss your home?" Blinking his eyes again, old Liu said, "Yes." The reply drew uproarious laughter from the rest in the room. "Don't be stingy. Go to Wangfujing and buy some earrings for your wife." "With so many extravagant hotels in Beijing, why do you choose to come to this out-of-the-way place and spend money to be at the mercy of others? Is it worth it...." He continued and his words became more and more unbearable. When I saw old Liu pick up the thermos bottle and again head toward the boiler room, I could not help bursting out, "This is too much!" The whole room suddenly fell into silence. The



Shanghai student, after making a coughing sound or two, said laughingly, "I am sorry, I am sorry! I forgot that you and old Liu are fellow townsmen." "Yes, he is a carpenter. And, yes, we are fellow townsmen. So what?" I was really angry. "All of you came to Beijing on public funds and your absence from work will not be deducted from your wages, but not he. He spent his own money and time to be here to learn something. I would like to ask who among you will do the same thing?" I grabbed the bottle from old Liu and led him away immediately.

The more I knew old Liu, the more I found out that he had a deep infatuation with ancient Chinese culture, especially its architectural aesthetics. He was very enthusiastic about learning it, but unfortunately, his background knowledge was limited. He told me that he had come to Beijing in the hope of finding a sage teacher to give him some guidance. I was neither "sage" nor good at being a teacher. However, as we became well acquainted and he persisted in seeking my counsel, I threw away my reserve and tried to answer his questions whenever I could. Later, at his request, I also compiled a list of relevant books for him. Delighted, old Liu carefully put away the book list and insisted that I spend a whole day with him in the book stores after the classes ended. Then he asked why I had not published any book. Was it because of money? "If it cost 'a few thousand,'" he patted his chest and said, "come to me any time." He also asked me if I weighed 100 kg. On seeing me shake my head with a wry smile, he gave a long sigh and said, "It is hard to be an intellectual. I have given a lot of thought to the fact that a big country like ours cannot afford not to have enough intellectuals." From then on, he always came to eat at the same table with me. More often than not, after his "swift business of wolfing down"

was done, he would suddenly pour his "unfinished" dish into my bowl and then get up and carry his thermos bottle to fetch hot water.

Before the classes ended, I received a telegram from my department and returned to Taiyuan earlier than I had planned. On the day of my departure, old Liu asked for a half-day leave to see me off. In the waiting room of the station, I asked why he had such an odd name. He said, "When my mother was giving birth to me, all she wanted was to eat crawling shrimps." Then I detected gloominess in his expression, so I quickly changed the subject by inquiring what "crawling shrimp" was. With hands and gestures he tried to explain to me. My surmise was that he was referring to what the folks in my home town called "the loquat shrimp." His answer proved that I was right. When I was a kid, I ate a lot of that stuff, cheap but really delicious. With a smile, old Liu said, "Times have changed—even crawling shrimp has become expensive now. Sometimes, even if you have money, you may be unable to buy one crawling shrimp."

Come to think of it, maybe this was the reason why old Liu wanted to send me crawling shrimps.

At dinner time, I could not help but mention this story to my wife. To my surprise, she looked serious for a long while after hearing it. After dinner, she poured me a cup of tea and unfolded a piece of squared paper on the desk. She knew that I would write all this down for I missed old Liu, who lived at the far-away seaside, and I was grateful for the warmth from a fellow student thousands of miles away.

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